

CITY OF VICTORVILLE
Victorville, California

Basic Financial Statements
and Supplementary Information

Year ended June 30, 2011



CITY OF VICTORVILLE
Basic Financial Statements and
Supplementary Information
Year ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Balance Sheet	18
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Fiduciary Assets	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	102
Low and Moderate Income Housing	103
Measure I Street Arterials Fund	104
Other Federal Grants Fund	105

CITY OF VICTORVILLE
Basic Financial Statements and
Supplementary Information
Year ended June 30, 2011

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Notes to the Required Supplementary Information	106
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	108
Combined Statement of Revenues, Expenditures and Changes in Fund Balance	109
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	114
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual:	
Landscape Maintenance and Drainage Facilities Assessment District	116
Street Lighting Fund	117
Traffic Safety Fund	118
General Asset Seizure Fund	119
Storm Drain Utility Fund	120
Gas Tax Fund	121
Transportation Tax Fund	122
Other State Grants Fund	123
CDBG and HOME Grants Fund	124
Nonmajor Debt Service Fund:	
Combining Balance Sheet	127
Combining Statement of Revenues, Expenses and Changes in Fund Balances	128
Fiduciary Funds:	
Combining Statement of Fiduciary Assets and Liabilities	131
Combining Statement of Changes in Fiduciary Assets and Liabilities	132



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Honorable Mayor and City Council
City of Victorville, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Victorville. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the City of Victorville for the year ended June 30, 2010 and, in our report dated March 7, 2011, we expressed an unqualified opinion on those financial statements, with an explanatory paragraph added to indicate that there was substantial doubt about the City of Victorville's ability to continue as a going concern.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of June 30, 2011, and the respective changes in financial position and cash flows of the City of Victorville, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

As described further in note 22 to the financial statements, on December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of all California redevelopment agencies. The Victorville Redevelopment Agency is a material component unit of the City of Victorville.

Honorable Mayor and City Council
City of Victorville, California

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 21 to the financial statements, the City has suffered recurring losses in its General Fund, the Southern California Logistics Airport Authority Enterprise Fund and the Municipal Utilities Enterprise Fund, and those funds have a lack of liquidity and net asset deficiencies that raise substantial doubt about the City's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 21. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the City be unable to continue as a going concern.

The information identified in the accompanying table of contents as and *required supplementary information* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Victorville's basic financial statements. The combining and individual nonmajor fund financial statements, and budget schedules as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budget schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman McLean P.C.

Irvine, California
February 14, 2012

BASIC FINANCIAL STATEMENTS



CITY OF VICTORVILLE
Statement of Net Assets
June 30, 2011
(with comparative totals for June 30, 2010)

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
Assets:				
Cash and investments (note 2)	\$ 46,799,121	16,580,806	63,379,927	45,344,329
Cash with fiscal agent (note 2)	1,797,377	34,152,981	35,950,358	39,396,498
Restricted cash (note 2)	-	943,534	943,534	943,534
Receivables:				
Accounts	734,063	9,099,283	9,833,346	11,345,367
Interest	62,249	31,304	93,553	121,701
Due from other governments	14,313,563	2,358,242	16,671,805	25,689,364
Inventory	177,331	393,291	570,622	500,868
Prepaid items	1,354,324	1,541,497	2,895,821	4,605,499
Interfund balances	4,486,752	(4,486,752)	-	-
Land held for resale (note 5)	20,432,175	-	20,432,175	20,432,175
Deferred charges, net	-	15,092,184	15,092,184	15,621,607
Capital assets, net (note 4):	491,345,426	498,609,854	989,955,280	950,507,324
Deposits	934,938	-	934,938	1,338,486
Long-term notes receivable (note 6)	5,328,882	1,510,341	6,839,223	71,976,801
Total assets	<u>587,766,201</u>	<u>575,826,565</u>	<u>1,163,592,766</u>	<u>1,187,823,553</u>
Liabilities:				
Accounts payable	3,278,728	8,258,080	11,536,808	14,228,455
Accrued liabilities	834,231	-	834,231	913,734
Interest payable	189,863	1,855,371	2,045,234	1,997,087
Deposits payable	25,889	3,582,450	3,608,339	3,556,049
Unearned revenue	2,397	1,646,783	1,649,180	1,826,796
Due to other governments	-	-	-	14,972
Noncurrent liabilities (notes 7 and 8):				
Due within one year				
Claims payable	300,000	1,271,780	1,571,780	1,571,780
Long-term liabilities	2,856,469	5,785,333	8,641,802	7,164,146
Due in more than one year				
Claims payable	970,322	-	970,322	786,972
Long-term liabilities	49,350,137	425,920,550	475,270,687	476,714,993
Total liabilities	<u>57,808,036</u>	<u>448,320,347</u>	<u>506,128,383</u>	<u>508,774,984</u>
Net assets:				
Invested in capital assets, net of related debt	450,605,614	416,397,220	867,002,834	828,774,997
Restricted for:				
Public safety	84,389	-	84,389	79,992
Community development	51,996,931	-	51,996,931	62,187,811
Public works	32,927,140	-	32,927,140	31,184,817
Capital asset construction	-	1,915,693	1,915,693	1,030,553
Debt service	-	160,612	160,612	472,998
Unrestricted	(5,655,909)	(290,967,307)	(296,623,216)	(244,682,599)
Total net assets	<u>\$ 529,958,165</u>	<u>127,506,218</u>	<u>657,464,383</u>	<u>679,048,569</u>

See accompanying notes to the basic financial statements.

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 17,037,143	4,330,386	77,223	-
Public safety	35,416,163	1,551,734	484,847	-
Community development	6,037,266	17,500	2,811,276	13,174
Public works	24,164,241	4,738,090	11,689,115	-
Parks and recreation	6,312,933	1,517,282	-	-
Interest on long-term debt	2,456,848	-	-	-
Total governmental activities	91,424,594	12,154,992	15,062,461	13,174
Business-type activities:				
Water	27,142,537	23,901,039	-	6,343,285
Airport	45,010,457	9,205,824	4,282,808	2,325,072
Municipal utility	12,806,295	9,597,231	-	5,243,722
City golf	2,526,395	888,601	-	37,654
Solid waste management	11,641,524	12,539,253	-	-
Wastewater	11,149,777	12,820,784	-	702,568
Rail	1,748,104	-	-	-
Total business-type activities	112,025,089	68,952,732	4,282,808	14,652,301
Total primary government	\$ 203,449,683	81,107,724	19,345,269	14,665,475

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Franchise taxes

Other taxes

Investment income

Motor vehicle in lieu, unrestricted

Gain on sale of assets

Miscellaneous revenues

SERAF Obligation

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated (note 23)

Net assets at end of year

See accompanying notes to the basic financial statements.

Governmental Activities	Business-type Activities	Totals	
		2011	2010
(12,629,534)	-	(12,629,534)	(7,823,090)
(33,379,582)	-	(33,379,582)	(32,721,214)
(3,195,316)	-	(3,195,316)	(5,681,684)
(7,737,036)	-	(7,737,036)	(4,759,254)
(4,795,651)	-	(4,795,651)	(4,973,678)
(2,456,848)	-	(2,456,848)	(2,495,404)
(64,193,967)	-	(64,193,967)	(58,454,324)
-	3,101,787	3,101,787	(374,559)
-	(29,196,753)	(29,196,753)	(72,480,581)
-	2,034,658	2,034,658	(4,750,667)
-	(1,600,140)	(1,600,140)	(1,165,574)
-	897,729	897,729	942,764
-	2,373,575	2,373,575	994,695
-	(1,748,104)	(1,748,104)	(275,234)
-	(24,137,248)	(24,137,248)	(77,109,156)
(64,193,967)	(24,137,248)	(88,331,215)	(135,563,480)
23,998,553	27,402	24,025,955	26,443,360
11,426,814	-	11,426,814	10,813,614
794,451	-	794,451	759,894
2,491,729	-	2,491,729	2,326,424
25,366,557	710,460	26,077,017	31,780,623
880,572	1,772,671	2,653,243	3,141,514
567,000	-	567,000	322,958
-	402,140	402,140	1,690,277
54,349	798,903	853,252	1,243,643
(2,544,572)	-	(2,544,572)	(12,367,967)
(22,986,921)	22,986,921	-	-
40,048,532	26,698,497	66,747,029	66,154,340
(24,145,435)	2,561,249	(21,584,186)	(69,409,140)
554,103,600	124,944,969	679,048,569	748,457,709
<u>\$ 529,958,165</u>	<u>127,506,218</u>	<u>657,464,383</u>	<u>679,048,569</u>



Major Governmental Funds

General Fund

This fund accounts for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. This fund accounts for all financial transactions not accounted for in the other funds.

Low and Moderate Income Housing Special Revenue Fund

This fund accounts for property tax increments received by the Victorville Redevelopment Agency to use for low and moderate-income housing programs.

Measure I Street Arterials

This fund accounts for the portion of sales tax revenue received from the County. The funds are legally restricted expenditures for the local street networks that have significant inter-jurisdictional or regional traffic.

Other Federal Grants

This fund accounts for federal moneys received for the following grants: COPS Fast Grant, Federal Demonstration, Transportation Enhancement Act, Congestion Mitigation Air Quality Grant, Police Hiring Supplement Grant, Federal Asset Seizure, and EPA Water Reuse Grant.

Capital Impact Facilities

This fund accounts for the acquisition or construction of major capital facilities related to public improvements needed as population increases.

Victorville Redevelopment Agency Capital Projects

This fund accounts for financial resources to be used for acquisition or construction of major capital facilities.

CITY OF VICTORVILLE
Balance Sheet
Governmental Funds
June 30, 2011
(with comparative totals for June 30, 2010)

		Special Revenue		
		Low and	Measure I	Other
		Moderate Income	Street	Federal
	General	Housing	Arterials	Grants
<u>Assets</u>				
Cash and investments	\$ 88,306	11,296,862	7,110,576	-
Cash with fiscal agent	-	-	-	-
Receivables:				
Accounts	565,968	-	2,284	-
Interest	62,249	-	-	-
Notes	-	4,519,876	-	-
Due from other funds (note 3)	-	-	-	-
Advances to other funds (note 3)	2,314,851	11,528,741	-	-
Due from other governments	4,157,177	2,020,964	22,021	521,342
Inventories	177,331	-	-	-
Prepaid items	7,256	-	189,034	1,158,034
Land held for resale	-	13,067,232	-	-
Total assets	<u>\$ 7,373,138</u>	<u>42,433,675</u>	<u>7,323,915</u>	<u>1,679,376</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,506,238	4,461	729,191	179,965
Accrued liabilities	834,231	-	-	-
Deposits payable	24,664	-	-	-
Due to other funds (note 3)	-	-	-	635,397
Advances from other funds (note 3)	1,901,978	6,978,386	-	-
Due to other governments	-	-	-	-
Deferred revenue	2,397	876,986	-	448,310
Total liabilities	<u>4,269,508</u>	<u>7,859,833</u>	<u>729,191</u>	<u>1,263,672</u>
Fund Balances (note 10):				
Non-spendable:				
Advances to other funds	2,314,851	-	-	-
Prepaid items	7,256	-	189,034	1,158,034
Spendable:				
Restricted	-	34,573,842	6,405,690	-
Unassigned	781,523	-	-	(742,330)
Total fund balances	<u>3,103,630</u>	<u>34,573,842</u>	<u>6,594,724</u>	<u>415,704</u>
Total liabilities and fund balances	<u>\$ 7,373,138</u>	<u>42,433,675</u>	<u>7,323,915</u>	<u>1,679,376</u>

See accompanying notes to basic financial statements.

Capital Projects				
Capital Impact Facilities	Victorville Redevelopment Agency	Nonmajor Governmental Funds	Totals	
			2011	2010
9,801,308	1,789,435	16,712,634	46,799,121	41,349,617
-	-	1,797,377	1,797,377	2,019,326
-	17,500	148,311	734,063	896,588
-	-	-	62,249	40,612
-	808,706	300	5,328,882	4,327,188
-	-	635,397	635,397	3,352,135
-	10,114,922	1,200,000	25,158,514	29,545,549
-	6,353,943	1,238,116	14,313,563	21,789,297
-	-	-	177,331	223,027
-	-	-	1,354,324	2,638,075
-	7,364,943	-	20,432,175	20,432,175
<u>9,801,308</u>	<u>26,449,449</u>	<u>21,732,135</u>	<u>116,792,996</u>	<u>126,613,589</u>
105	409,302	449,466	3,278,728	3,454,602
-	-	-	834,231	913,734
-	1,225	-	25,889	97,923
-	-	777,867	1,413,264	7,715,437
1,200,000	9,813,531	-	19,893,895	9,736,688
-	-	-	-	14,972
-	200,069	78,971	1,606,733	1,964,155
<u>1,200,105</u>	<u>10,424,127</u>	<u>1,306,304</u>	<u>27,052,740</u>	<u>23,897,511</u>
-	-	-	2,314,851	28,644,205
-	-	-	1,354,324	2,638,075
8,601,203	16,025,322	21,010,746	86,616,803	71,138,502
-	-	(584,915)	(545,722)	295,296
<u>8,601,203</u>	<u>16,025,322</u>	<u>20,425,831</u>	<u>89,740,256</u>	<u>102,716,078</u>
<u>9,801,308</u>	<u>26,449,449</u>	<u>21,732,135</u>	<u>116,792,996</u>	<u>126,613,589</u>



CITY OF VICTORVILLE

Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2011

Fund balances of governmental funds	\$ 89,740,256
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	783,621,810
Accumulated depreciation	(292,276,384)
Deposits receivable relating to governmental activities were not financial resources and therefore were not reported in governmental funds.	934,938
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	(1,270,322)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Installment purchase agreements	(142,189)
Tax allocation bonds	(42,395,000)
Other post employment benefits	(6,952,230)
Compensated absences	(2,717,187)
Certain revenues in the governmental funds are deferred using the modified accrual basis and are recognized as revenue under the full accrual basis for reporting in the Government-wide Financial Statements.	1,604,336
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	<u>(189,863)</u>
Net assets of governmental activities	<u>\$ 529,958,165</u>

See accompanying notes to the basic financial statements.

CITY OF VICTORVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

		Special Revenue		
	General	Low and Moderate Income Housing	Measure I Street Arterials	Other Federal Grants
Revenues:				
Taxes	30,405,249	1,684,149	3,414,603	-
Licenses and permits	3,527,763	-	-	-
Intergovernmental	3,260,145	4,576,034	-	4,317,024
Charges for services	7,024,117	2,500	231,822	122,978
Fines and forfeitures	345,045	-	-	38,328
Investment income	40,636	131,954	37,663	10,113
Other	91,323	-	-	947,300
Total revenues	<u>44,694,278</u>	<u>6,394,637</u>	<u>3,684,088</u>	<u>5,435,743</u>
Expenditures:				
Current:				
General government	10,432,957	-	33,504	-
Public safety	28,674,181	-	-	106,679
Community development	11,820	340,843	-	1,348,143
Public works	5,187,395	-	2,803,227	3,465,697
Parks and recreation	3,790,248	-	-	40,998
Debt service:				
Principal	346,280	-	-	-
Interest	52,141	-	-	-
SERAF Obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>48,495,022</u>	<u>340,843</u>	<u>2,836,731</u>	<u>4,961,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,800,744)</u>	<u>6,053,794</u>	<u>847,357</u>	<u>474,226</u>
Other financing sources (uses):				
Transfers in (note 3)	886,802	-	44,877	12,444
Transfers out (note 3)	<u>(1,531,981)</u>	<u>(3,234,303)</u>	<u>(1,241,263)</u>	<u>(243,756)</u>
Total other financing sources (uses)	<u>(645,179)</u>	<u>(3,234,303)</u>	<u>(1,196,386)</u>	<u>(231,312)</u>
Net change in fund balances	(4,445,923)	2,819,491	(349,029)	242,914
Fund balances at beginning of year, as restated (note 23)	<u>7,549,553</u>	<u>31,754,351</u>	<u>6,943,753</u>	<u>172,790</u>
Fund balances at end of year	<u>\$ 3,103,630</u>	<u>34,573,842</u>	<u>6,594,724</u>	<u>415,704</u>

See accompanying notes to the basic financial statements.

Capital Projects			Totals	
Capital Impact Facilities	Victorville Redevelopment Agency	Nonmajor Governmental Funds	2011	2010
-	-	7,875,431	43,379,432	45,779,996
1,774,508	-	-	5,302,271	6,604,777
28,888	14,424,625	6,658,733	33,265,449	52,033,703
34,560	180,979	1,600,151	9,197,107	11,101,744
-	-	908,801	1,292,174	1,576,988
29,706	94,354	54,164	398,590	680,949
-	-	11,421	1,050,044	1,040,973
<u>1,867,662</u>	<u>14,699,958</u>	<u>17,108,701</u>	<u>93,885,067</u>	<u>118,819,130</u>
-	-	1,100,408	11,566,869	11,163,497
-	-	269,477	29,050,337	31,153,833
-	2,440,071	921,671	5,062,548	10,471,165
233,193	387,327	7,721,584	19,798,423	22,730,821
38,159	-	1,308,819	5,178,224	5,807,375
-	-	885,000	1,231,280	1,381,943
-	93,084	2,318,104	2,463,329	2,498,450
-	2,544,572	-	2,544,572	12,367,967
<u>271,352</u>	<u>5,465,054</u>	<u>14,525,063</u>	<u>76,895,582</u>	<u>97,575,051</u>
<u>1,596,310</u>	<u>9,234,904</u>	<u>2,583,638</u>	<u>16,989,485</u>	<u>21,244,079</u>
95,011	1,649,857	86,782	2,775,773	5,959,970
-	(16,880,912)	(2,630,479)	(25,762,694)	(27,505,742)
<u>95,011</u>	<u>(15,231,055)</u>	<u>(2,543,697)</u>	<u>(22,986,921)</u>	<u>(21,545,772)</u>
1,691,321	(5,996,151)	39,941	(5,997,436)	(301,693)
<u>6,909,882</u>	<u>22,021,473</u>	<u>20,385,890</u>	<u>95,737,692</u>	<u>103,017,771</u>
<u>8,601,203</u>	<u>16,025,322</u>	<u>20,425,831</u>	<u>89,740,256</u>	<u>102,716,078</u>

CITY OF VICTORVILLE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2011

Net changes in fund balances - total governmental funds	\$ (5,997,436)
---	----------------

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	10,629,333
Depreciation expense	(25,525,434)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, returned of leased vehicles, asset transfers to proprietary funds, and asset disposals) is to decrease net assets.	(1,066,328)
---	-------------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,231,280
---	-----------

The statement of net assets includes accrued interest on long term debt.	6,481
--	-------

To record as an expense the net change in claims payable and deposits relating to claims in the statement of activities.	(586,898)
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(119,111)
--	-----------

To record as an expense the net change in other post employment benefits in the statement of activities.	(2,787,000)
--	-------------

To record as an expense the net change in compensated absences in the statement of activities.	69,678
--	--------

Change in net assets of governmental activities	<u>\$ (24,145,435)</u>
---	------------------------

See accompanying notes to the basic financial statements.

Enterprise Funds

Victorville Water District

This fund accounts for the Victorville Water District. This subsidiary district includes the assets, liabilities, net assets and operations of not only the Victorville Water Department but the former Victor Valley Water District and Baldy Mesa Water District.

Southern California Logistics Airport Authority Fund

This fund accounts for both operation and capital acquisition of the activities surrounding the airport. The airport funding sources comprised of federal grants, charges for services and Tax Allocation Bonds.

Municipal Utility

This fund accounts for the operation, maintenance, and capital expenditures of the City's municipal utility, which is funded by user charges, other fees and loans.

City Golf Course

This fund accounts for the operation and maintenance of the City's Golf Courses, which are funded by user charges and other fees.

Solid Waste Management

This fund accounts for all activities in the following programs: Solid Waste Management, Source Reduction and Recycling, Landfill Mitigation, Household Hazardous Waste, and the California Department of Conservation Grants.

Wastewater

This fund accounts for the activities of the City's wastewater program. Revenue received is comprised of sewer user fees and connection fees.

Southern California Logistics Rail Authority

This fund accounts for expenditures such as: acquisition, installation, and construction of rail facilities. The future rail intermodal facilities will be located adjacent to Southern California Logistics Airport. This fund is supported by grants, loans, bonds, and tax increment revenue.

CITY OF VICTORVILLE

Balance Sheet

Proprietary Funds

June 30, 2011

(with comparative totals for June 30, 2010)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility	City Golf
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 12,321,477	-	-	16,274
Cash with fiscal agent	3,833,783	23,067,444	6,938,037	-
Restricted cash	-	-	943,534	-
Accounts receivable	3,961,775	301,221	1,311,393	189,737
Interest receivable	4,346	22,944	4,014	-
Due from other funds (note 3)	-	-	-	-
Due from other governments	521,058	1,821,402	-	-
Inventory	367,983	3,684	-	21,624
Prepays	1,499,953	9,244	3,800	22,500
Total current assets	<u>22,510,375</u>	<u>25,225,939</u>	<u>9,200,778</u>	<u>250,135</u>
Noncurrent assets:				
Capital assets, net (note 4)	199,996,896	177,721,411	21,547,297	20,516,641
Deferred charges, net	433,060	14,659,124	-	-
Advances to other funds (note 3)	22,108,568	31,592,145	1,230,671	-
Notes receivable	-	1,510,341	-	-
Total noncurrent assets	<u>222,538,524</u>	<u>225,483,021</u>	<u>22,777,968</u>	<u>20,516,641</u>
Total assets	<u>245,048,899</u>	<u>250,708,960</u>	<u>31,978,746</u>	<u>20,766,776</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	1,262,436	2,287,120	1,013,441	404,561
Deposits payable	2,040,859	1,466,875	-	4,716
Unearned revenue	1,586,088	60,695	-	-
Interest payable	269,312	1,483,151	102,908	-
Long-term debt - due within one year (note 8)	723,386	3,636,915	900,764	162,803
Claims payable	-	-	1,271,780	-
Total current liabilities	<u>5,882,081</u>	<u>8,934,756</u>	<u>3,288,893</u>	<u>572,080</u>
Noncurrent liabilities (note 8):				
Advances from other funds (note 3)	22,711,781	15,965,603	22,108,568	6,335,780
Long-term debt - due more than one year (note 8)	14,282,909	325,925,123	82,569,236	748,221
Total noncurrent liabilities	<u>36,994,690</u>	<u>341,890,726</u>	<u>104,677,804</u>	<u>7,084,001</u>
Total liabilities	<u>42,876,771</u>	<u>350,825,482</u>	<u>107,966,697</u>	<u>7,656,081</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	190,113,127	120,285,286	16,344,170	13,269,837
Restricted for capital asset construction	1,915,693	-	-	-
Restricted for debt service	160,612	-	-	-
Unrestricted	9,982,696	(220,401,808)	(92,332,121)	(159,142)
Total net assets (deficit)	<u>\$ 202,172,128</u>	<u>(100,116,522)</u>	<u>(75,987,951)</u>	<u>13,110,695</u>
Total liabilities and net assets	<u>\$ 245,048,899</u>	<u>250,708,960</u>	<u>31,978,746</u>	<u>20,766,776</u>

See accompanying notes to the basic financial statements.

Solid Waste Management	Wastewater	Southern California Logistic Rail Authority	Totals	
			2011	2010
2,419,088	1,818,601	5,366	16,580,806	3,994,712
290,239	23,478	-	34,152,981	37,377,172
-	-	-	943,534	943,534
1,661,357	1,673,800	-	9,099,283	10,448,779
-	-	-	31,304	81,089
-	777,867	-	777,867	4,363,302
15,782	-	-	2,358,242	3,900,067
-	-	-	393,291	277,841
6,000	-	-	1,541,497	1,967,424
<u>4,392,466</u>	<u>4,293,746</u>	<u>5,366</u>	<u>65,878,805</u>	<u>63,353,920</u>
3,195,221	47,556,949	28,075,439	498,609,854	443,199,469
-	-	-	15,092,184	15,621,607
6,335,780	589,949	-	61,857,113	53,262,785
-	-	-	1,510,341	67,649,613
<u>9,531,001</u>	<u>48,146,898</u>	<u>28,075,439</u>	<u>577,069,492</u>	<u>579,733,474</u>
<u>13,923,467</u>	<u>52,440,644</u>	<u>28,080,805</u>	<u>642,948,297</u>	<u>643,087,394</u>
1,123,620	2,166,902	-	8,258,080	10,773,853
-	70,000	-	3,582,450	3,458,126
-	-	-	1,646,783	1,586,088
-	-	-	1,855,371	1,800,743
361,465	-	-	5,785,333	5,374,866
-	-	-	1,271,780	1,271,780
<u>1,485,085</u>	<u>2,236,902</u>	<u>-</u>	<u>22,399,797</u>	<u>24,265,456</u>
-	-	-	67,121,732	73,071,646
<u>2,395,061</u>	<u>-</u>	<u>-</u>	<u>425,920,550</u>	<u>427,783,709</u>
<u>2,395,061</u>	<u>-</u>	<u>-</u>	<u>493,042,282</u>	<u>500,855,355</u>
<u>3,880,146</u>	<u>2,236,902</u>	<u>-</u>	<u>515,442,079</u>	<u>525,120,811</u>
728,934	47,580,427	28,075,439	416,397,220	363,435,861
-	-	-	1,915,693	1,030,553
-	-	-	160,612	472,998
<u>9,314,387</u>	<u>2,623,315</u>	<u>5,366</u>	<u>(290,967,307)</u>	<u>(246,972,829)</u>
<u>10,043,321</u>	<u>50,203,742</u>	<u>28,080,805</u>	<u>127,506,218</u>	<u>117,966,583</u>
<u>13,923,467</u>	<u>52,440,644</u>	<u>28,080,805</u>	<u>642,948,297</u>	<u>643,087,394</u>

CITY OF VICTORVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2011

(with comparative totals for year ended June 30, 2010)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility	City Golf
Operating revenues:				
Charges for services	23,901,038	9,101,402	9,596,448	888,603
Fines and forfeitures	-	11,542	-	-
Other	-	182,125	30,847	133,937
Total operating revenues	<u>23,901,038</u>	<u>9,295,069</u>	<u>9,627,295</u>	<u>1,022,540</u>
Operating expenses:				
Personnel services	4,849,331	1,357,702	206,815	891,846
Maintenance and operations	3,872,247	10,186,746	9,768,353	1,062,230
Production costs	8,027,123	-	568,527	-
Depreciation	<u>7,113,325</u>	<u>5,657,871</u>	<u>980,888</u>	<u>570,178</u>
Total operating expenses	<u>23,862,026</u>	<u>17,202,319</u>	<u>11,524,583</u>	<u>2,524,254</u>
Operating income (loss)	<u>39,012</u>	<u>(7,907,250)</u>	<u>(1,897,288)</u>	<u>(1,501,714)</u>
Nonoperating revenues (expenses):				
Intergovernmental	710,459	4,282,808	-	-
Investment income	172,349	1,539,425	49,948	-
Settlement of litigation	-	(350,000)	-	-
Interest expense	(2,094,045)	(25,180,190)	(1,281,712)	(2,141)
Arsenic surcharge	536,789	-	-	-
Gain (loss) on sale of assets	(1,186,466)	(2,277,948)	402,140	-
Other revenues	<u>2,845</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(1,858,069)</u>	<u>(21,985,905)</u>	<u>(829,624)</u>	<u>(2,141)</u>
Income (loss) before transfers	<u>(1,819,057)</u>	<u>(29,893,155)</u>	<u>(2,726,912)</u>	<u>(1,503,855)</u>
Capital Contributions:				
Contributed facilities	3,728,615	2,325,072	5,243,686	37,654
Capital-related revenue	2,614,670	-	-	-
Transfers in (note 3)	-	21,830,020	-	1,400,322
Transfers out (note 3)	<u>(501,834)</u>	<u>(17,620)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>4,022,394</u>	<u>(5,755,683)</u>	<u>2,516,774</u>	<u>(65,879)</u>
Net assets (deficit) at beginning of year, as restated (note 23)	<u>198,149,734</u>	<u>(94,360,839)</u>	<u>(78,504,725)</u>	<u>13,176,574</u>
Net assets (deficit) at end of year	<u>\$ 202,172,128</u>	<u>(100,116,522)</u>	<u>(75,987,951)</u>	<u>13,110,695</u>

See accompanying notes to the basic financial statements.

Solid Waste Management	Wastewater	Southern California Logistics Rail Authority	Totals	
			2011	2010
12,539,256	12,820,783	-	68,847,530	61,660,959
-	-	-	11,542	2,021
<u>27,920</u>	<u>5,540</u>	<u>-</u>	<u>380,369</u>	<u>549,266</u>
<u>12,567,176</u>	<u>12,826,323</u>	<u>-</u>	<u>69,239,441</u>	<u>62,212,246</u>
737,966	1,544,728	-	9,588,388	10,511,031
10,558,593	8,344,723	2,776	43,795,668	40,392,543
-	-	-	8,595,650	7,766,016
<u>200,475</u>	<u>1,249,072</u>	<u>1,745,328</u>	<u>17,517,137</u>	<u>16,113,298</u>
<u>11,497,034</u>	<u>11,138,523</u>	<u>1,748,104</u>	<u>79,496,843</u>	<u>74,782,888</u>
<u>1,070,142</u>	<u>1,687,800</u>	<u>(1,748,104)</u>	<u>(10,257,402)</u>	<u>(12,570,642)</u>
-	-	-	4,993,267	4,415,274
7,896	2,872	180	1,772,670	2,409,435
-	-	-	(350,000)	(50,020,070)
(144,490)	-	-	(28,702,578)	(22,359,622)
-	-	-	536,789	583,074
-	(11,254)	-	(3,073,528)	(1,600,742)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,845</u>	<u>29,116</u>
<u>(136,594)</u>	<u>(8,382)</u>	<u>180</u>	<u>(24,820,535)</u>	<u>(66,543,535)</u>
933,548	1,679,418	(1,747,924)	(35,077,937)	(79,114,177)
-	702,568	-	12,037,595	8,366,229
-	-	-	2,614,670	-
-	501,834	17,620	23,749,796	21,613,325
<u>-</u>	<u>(25,134)</u>	<u>(218,287)</u>	<u>(762,875)</u>	<u>(67,553)</u>
933,548	2,858,686	(1,948,591)	2,561,249	(49,202,176)
<u>9,109,773</u>	<u>47,345,056</u>	<u>30,029,396</u>	<u>124,944,969</u>	<u>167,168,759</u>
<u>10,043,321</u>	<u>50,203,742</u>	<u>28,080,805</u>	<u>127,506,218</u>	<u>117,966,583</u>

CITY OF VICTORVILLE
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility	City Golf
Cash flows from operating activities:				
Cash received from customers	\$ 25,006,298	9,418,397	11,081,879	828,715
Cash payments to employees for services	(4,849,329)	(1,357,702)	(206,815)	(891,846)
Cash payments to suppliers for goods and services	(17,699,713)	(8,123,469)	(10,051,541)	(914,370)
Cash payments to other governments	-	(717,015)	-	-
Nonoperating miscellaneous revenue received	2,845	-	-	-
Net cash provided by (used for) operating activities	2,460,101	(779,789)	823,523	(977,501)
Cash flows from noncapital financing activities:				
Cash received from County of San Bernardino	710,459	-	-	-
Cash received from other funds	1,400,000	21,830,020	108,898	1,000,419
Cash paid to other funds	(610,733)	(10,378,507)	(1,230,671)	-
Net cash provided by (used for) noncapital financing activities	1,499,726	11,451,513	(1,121,773)	1,000,419
Cash flows from capital and related financing activities:				
Proceeds of debt	-	4,500,000	-	-
Cash received for capital grants	1,439,578	6,607,880	810,783	-
Cash received from sale of capital assets	7,418,569	2,714,135	580,691	29,195
Cash payments to acquire capital and other assets	(5,833,646)	(3,781,153)	(762,840)	(33,698)
Cash received from capital restricted revenues	3,151,459	-	-	-
Principal paid on capital-related debt	(635,964)	(5,203,958)	(656,040)	-
Interest paid on capital-related debt	(2,002,289)	(18,232,887)	(1,206,712)	(2,141)
Net cash provided by (used for) capital and related financing activities	3,537,707	(13,395,983)	(1,234,118)	(6,644)
Cash flows from investing activities:				
Payments made to acquire notes from developers	-	-	-	-
Repayments received on notes receivable	-	115,500	-	-
Interest received on investments	190,457	1,566,690	54,360	-
Net cash provided by (used for) investing activities	190,457	1,682,190	54,360	-
Net increase (decrease) in cash and cash equivalents	7,687,991	(1,042,069)	(1,478,008)	16,274
Cash and cash equivalents at beginning of year	8,467,269	24,109,513	9,359,579	-
Cash and cash equivalents at end of year	\$ 16,155,260	23,067,444	7,881,571	16,274
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 39,012	(7,907,250)	(1,897,288)	(1,501,714)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	7,113,325	5,657,871	980,888	570,178
Nonoperating miscellaneous revenue	2,845	-	-	-
(Increase) decrease in accounts receivable	192,171	118,010	1,454,584	(186,471)
Increase (decrease) in allowance for doubtful notes receivable	-	-	-	-
(Increase) decrease in due from other governments	-	(717,015)	-	-
(Increase) decrease in inventory	(126,287)	(3,684)	-	14,522
(Increase) decrease in prepaids	150,597	251,756	-	27,500
Increase (decrease) in accounts payable	(5,824,651)	1,815,205	285,339	105,838
Increase (decrease) in claims payable	-	-	-	-
Increase (decrease) in deposits payable	913,089	(55,377)	-	(7,354)
Increase (decrease) in unearned revenue	-	60,695	-	-
Total adjustments	2,421,089	7,127,461	2,720,811	524,213
Net cash provided by (used for) operating activities	\$ 2,460,101	(779,789)	823,523	(977,501)
<u>Noncash capital, financing and investing activities:</u>				
Allowance for doubtful notes receivable	-	-	-	-
Capital asset contributions (to) from other funds	(6,472,430)	-	-	-
Developer contributed capital assets	3,728,615	2,325,072	5,243,686	37,654
	\$ (2,743,815)	2,325,072	5,243,686	37,654

See accompanying notes to the basic financial statements.

Solid Waste Management	Wastewater	Southern California Logistics Rail Authority	Totals	
			2011	2010
12,339,629	12,106,900	-	70,781,818	61,657,014
(737,966)	(1,544,728)	-	(9,588,386)	(10,511,031)
(10,456,388)	(7,348,356)	(2,776)	(54,596,613)	(42,314,997)
-	-	-	(717,015)	2,637,655
-	-	-	2,845	29,116
<u>1,145,275</u>	<u>3,213,816</u>	<u>(2,776)</u>	<u>5,882,649</u>	<u>11,497,757</u>
-	616	-	711,075	802,795
8,087,034	5,749,732	219,460	38,395,563	61,441,674
(6,335,780)	(615,083)	(218,287)	(19,389,061)	(33,080,706)
<u>1,751,254</u>	<u>5,135,265</u>	<u>1,173</u>	<u>19,717,577</u>	<u>29,163,763</u>
-	-	-	4,500,000	3,048,611
-	-	-	8,858,241	3,984,291
-	2,424,738	-	13,167,328	10,114,348
-	(9,016,641)	-	(19,427,978)	(45,433,509)
-	-	-	3,151,459	2,038,958
(349,976)	-	-	(6,845,938)	(5,568,349)
(135,361)	-	-	(21,579,390)	(19,596,223)
<u>(485,337)</u>	<u>(6,591,903)</u>	<u>-</u>	<u>(18,176,278)</u>	<u>(51,411,873)</u>
-	-	-	-	(349,866)
-	-	-	115,500	-
<u>7,896</u>	<u>2,872</u>	<u>180</u>	<u>1,822,455</u>	<u>1,166,653</u>
<u>7,896</u>	<u>2,872</u>	<u>180</u>	<u>1,937,955</u>	<u>816,787</u>
2,419,088	1,760,050	(1,423)	9,361,903	(9,933,566)
290,239	82,029	6,789	42,315,418	52,248,984
<u>2,709,327</u>	<u>1,842,079</u>	<u>5,366</u>	<u>51,677,321</u>	<u>42,315,418</u>
<u>1,070,142</u>	<u>1,687,800</u>	<u>(1,748,104)</u>	<u>(10,257,402)</u>	<u>(12,570,642)</u>
200,475	1,249,072	1,745,328	17,517,137	16,113,298
-	-	-	2,845	(129,472)
125,296	(354,094)	-	1,349,496	(1,528,556)
-	-	-	-	1,988,664
7,862	-	-	(709,153)	2,716,843
-	-	-	(115,449)	(11,101)
(4,000)	74	-	425,927	1,515,067
106,205	996,293	-	(2,515,771)	3,226,403
-	-	-	-	1,271,780
(360,705)	(365,329)	-	124,324	207,247
-	-	-	60,695	(1,301,774)
<u>75,133</u>	<u>1,526,016</u>	<u>1,745,328</u>	<u>16,140,051</u>	<u>24,068,399</u>
<u>1,145,275</u>	<u>3,213,816</u>	<u>(2,776)</u>	<u>5,882,649</u>	<u>11,497,757</u>
-	-	-	-	(1,988,664)
-	6,472,430	-	-	(313,201)
-	702,568	-	12,037,595	6,597,144
<u>-</u>	<u>7,174,998</u>	<u>-</u>	<u>12,037,595</u>	<u>6,283,943</u>

CITY OF VICTORVILLE

Statement of Fiduciary Assets

Fiduciary Funds

June 30, 2011

(with comparative totals for June 30, 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 4,166,452	3,889,631
Restricted assets:		
Cash with fiscal agent (note 2)	2,934,722	2,585,052
Accounts receivable	70,634	86,933
Assets used for operations	<u>4,548</u>	<u>7,366</u>
Total assets	<u>\$ 7,176,356</u>	<u>6,568,982</u>
<u>Liabilities</u>		
Accounts payable	\$ 1,742	21,461
Deposits payable	<u>7,174,614</u>	<u>6,547,521</u>
Total liabilities	<u>\$ 7,176,356</u>	<u>6,568,982</u>

See accompanying notes to the basic financial statements.

City of Victorville
Notes to Basic Financial Statements
Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies,

The financial statements of the City of Victorville, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2011 of 105,577.

On July 26, 2008 the City became a charter City that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. At June 30, 2011, the City's staff comprised of 498 full and part time employees who were responsible for the City-provided services.

The accounting policies of the City conform to accounting principles generally accepted in the United States as applicable to governments.

As required by accounting principles generally accepted in the United States, these financial statements present the City of Victorville and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City include the Redevelopment Agency of the City of Victorville, the Southern California Logistics Airport Authority, Southern California Logistics Rail Authority, Victorville Water District and Regional Center of Victorville Development Inc (RCVD).

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(1) Summary of Significant Accounting Policies, (Continued)</p>

(a) Reporting Entity, (Continued)

Since City Council serves as the governing board for the Redevelopment Agency of the City of Victorville, Southern California Logistics Airport Authority, Southern California Logistic Rail Authority, and Victorville Water District the component units are considered to be blended component units. Regional Center of Victorville Development, Inc. (RCVD), a nonprofit corporation is also considered to be blended component unit. RCVD is governed by Board of Directors appointed by the City Council. Key personnel of the City serve in the board of directors of the RCVD. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Redevelopment Agency of the City of Victorville, Southern California Logistics Airport Authority, Southern California Logistic Rail Authority, and the Victorville Water District issue separate component unit financial statements. Upon completion, the financial statements of these component units can be obtained at the City of Victorville, located at 14343 Civic Drive, Victorville, CA 92392. A brief description of the component units follows:

Redevelopment Agency of the City of Victorville

The Redevelopment Agency's financial activity commenced in September 1980. The primary purpose of the Agency is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency's financial data and transactions are included with the special revenue fund type, debt service fund type, and the capital projects fund type. Revenues of the Agency consist primarily of property tax allocations on the incremental increase of property values in the redevelopment area and revenues from the use of money and property.

Southern California Logistics Airport Authority

The Southern California Logistics Airport Authority (SCLAA), was formed in 1997 between the City of Victorville and the Redevelopment Agency of Victorville to provide for the coordination of long range planning of the territory of George Air Force Base. SCLAA's financial data and transactions are included as an enterprise fund of the City. SCLAA prepares a budget in sufficient detail to constitute an operating outline for the source and amount of funds available to SCLAA and expenditures to be made during the ensuing fiscal year. SCLAA revenues consist primarily of grants and loans received by SCLAA and from profits, income, sales proceeds, interest earnings from leases and land sales and tax increment revenues.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(a) Reporting Entity, (Continued)

Southern California Logistics Rail Authority

The Southern California Logistics Rail Authority (SCLRA) was formed on October 17, 2001 by the City of Victorville, the Victorville Redevelopment Agency and the Southern California Logistic Airport Authority (SCLAA). The purpose of SCLRA is to provide for the coordination of long range planning of the development of rail facilities and adjoining land surrounding and including Southern California Logistic Airport. SCLRA's financial data and transactions are included as an enterprise fund of the City. SCLRA prepares a budget in sufficient detail to constitute an operating outline for the source and amount of funds available to SCLRA and expenditures to be made during the ensuing fiscal year. SCLRA revenues consist primarily of grants and loans received by SCLRA.

Victorville Water District

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were approved to be consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District, per Resolution No. 2977 of the Executive Officer of the Local Agency formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City effective July 1, 2007 upon consolidation. Upon consolidation July 1, 2007 of the two districts the City consolidated the operations and activities of its Water Department and Water Funds into the district to serve all of the water customers of the City of Victorville under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms. The District is being treated as a blended component unit subsidiary district in the City of Victorville's financial statements for the year ended June 30, 2011.

Assessment District No. 2R was established to provide financing for construction and improvement of the water system. In 1987, the Victorville County Water District 1911 Act Improvement Bonds were issued. On June 27, 1989, the Baldy Mesa Water District issued \$8,292,572 in Refunding Improvement Bonds, Series 1989, Assessment District No. 2R. The District provides administrative duties such as placing assessments on the County tax rolls and submitting payments to the trustee for the assessment bond holders. Accordingly, the accounts and transactions of Assessment District No. 2R have been reported as a fiduciary fund of the City.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(1) Summary of Significant Accounting Policies, (Continued)</p>

(a) Reporting Entity, (Continued)

Regional Center of Victorville Development, Inc.

The Regional Center of Victorville Development, Inc. (RCVD) is a nonprofit public benefit corporation formed on August 27, 2009 by the City of Victorville. RCVD is organized and operated exclusively for social welfare purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code. The purpose of RCVD is to promote social welfare by providing advisory, administrative and analytical services associated with and making recommendations regarding potential investments in the Victorville Regional Center to foster economic growth, encourage industrial development and enhance job creation in the City of Victorville and surrounding communities.

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of Victorville has no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported instead as *general revenues*.

As a general rule the effect of interfund activity has been eliminated from the amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Fund Financial Statements, (Continued)

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses a ninety day availability period. The City accrues the following revenue types: taxes, licenses, fines and forfeitures, and other miscellaneous revenues.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Governmental Funds, (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Governmental Fund Balances

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Governmental Fund Balance, (Continued)

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City considers a resolution, an ordinance, or a minutes action to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by the Council or by persons to whom has delegated the authority to assign amounts for specific purposes. The City Council has not delegated such authority as of the date of this report.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(1) Summary of Significant Accounting Policies, (Continued)</p>

Proprietary and Fiduciary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenue and expenses. Agency funds are accounted for on the accrual basis of accounting.

(c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

General Fund - The chief operating fund of a local government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Low and Moderate Housing Special Revenue Fund – Accounts for property tax increments received by the Victorville Redevelopment Agency to use for low and moderate income housing programs.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Major Funds and Fiduciary Fund Types, (Continued)

Measure I Street Arterials Special Revenue Fund – Accounts for the portion of sales tax revenue received from the county. The funds are legally restricted expenditures for the local street networks that have significant interjurisdictional or regional traffic.

Other Federal Grants – Accounts for federal moneys received for the following grants: COPS Fast Grant, Federal Demonstration, Transportation Enhancement Act, Congestion Mitigation Air Quality Grant, Police Hiring Supplement Grant, Federal Asset Seizure, and EPA Water Reuse Grant.

Capital Impact Facilities Capital Projects Fund - Accounts for the acquisition or construction of major capital facilities related to public improvements needed as population increases. Revenue received from these funding sources comprised of licenses and permits earned from impact fees.

Victorville Redevelopment Agency Capital Projects Fund - Accounts for financial resources to be used for acquisition or construction of major capital facilities. The fund is composed of the redevelopment project area in Bear Valley Road / Hook Boulevard, the Old Town / Midtown project area and Victorville's portion of the Victor Valley Project Area.

The City reports the following major proprietary funds:

Victorville Water District - Accounts the operation and maintenance of the City's Water Department, Baldy Mesa Water District, and Victor Valley Water District. This fund is supported by user charges and other fees.

Southern California Logistics Airport Authority Fund - Accounts for both operation and capital acquisition of the activities surrounding the airport. The former George Air Force Base now known as Southern California Logistics Airport Authority is a joint power authority formed by the City of Victorville and the Victorville Redevelopment Agency. The authority was created to effectuate the redevelopment of the former base and certain properties within an eight mile radius of the boundaries of the airport. The airport funding sources comprised of federal grants, charges for services and Tax Allocation Bonds.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Major Funds and Fiduciary Fund Types, (Continued)

Municipal Utility Fund - Accounts for the operation, maintenance, and capital expenditures of the City's municipal utility, which is funded by user charges, other fees and loans.

City Golf Course - Accounts for the operation and maintenance of the City's Golf Course, which is funded by user charges and other fees.

Solid Waste Management –Accounts for activities in the following programs: Solid Waste Management, Source Reduction and Recycling, Landfill Mitigation, Household Hazardous Waste, and the California Department of Conservation Grants.

Wastewater – Accounts for the activities of the City's wastewater program. Revenue received is comprised of sewer user fees and connection fees.

Southern California Logistics Rail Authority – Accounts for expenditures such as: acquisition, installation, and construction of rail facilities. The future rail intermodal facilities will be located adjacent to Southern California Logistics Airport. This fund is supported by grants, loans, bonds, and tax increment revenue.

Additionally, the City reports the following fiduciary fund type:

Agency Funds - Fiduciary fund used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(d) Cash and Investments

Cash includes demand deposits. The California Government Code and the City of Victorville's investment policy permit the City of Victorville to invest in various instruments and pools. Investments are reported in the accompanying balance sheet at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, any gains or losses realized upon the liquidation or sale of investments and rental income.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Cash and Investments, (Continued)

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

(e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Victorville, and the cash recorded in the proprietary funds held by a fiscal agent.

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2011.

(g) Inventory and Prepaid Items

Inventories are valued on the average cost method. Inventory in the General Fund consists of office supplies, hardware supplies, fuel and oil. The City uses the consumption method of accounting for inventories.

Inventory in the proprietary funds consist primarily of water meters, pipe and pipe fittings for construction and repair. Materials and supplies items in the proprietary funds are valued at cost using the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide fund and proprietary financial statements.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(h) Land Held for Resale

Land held for resale consists of property acquired by the Victorville Redevelopment Agency and intended to be sold for private developers. Land held for resale is valued at the lower of cost or realizable value once that value becomes determinable by entering into a contract for sale.

(i) Capital Assets

Capital assets (including infrastructure) greater than \$5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Donated capital assets are valued at their estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets include public domain (“infrastructure”) capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

City construction of capital assets that are to be owned by other parties are accounted for as construction in progress during the construction phase of asset acquisition. Upon completion of the construction of the asset, the City records a contribution of the asset to the party identified as the owner of the asset at that time.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds.

A summary of the estimated useful lives of capital assets is as follows:

Buildings and Improvements	10-50 years
Furniture and Equipment	3-7 years
Computer and Communications	5 years
Vehicles	5-15 years
Infrastructure	20-80 years
Water Rights	10-25 years
Other Intangible Assets	5-25 years

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(j) Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

Compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year end is recorded as a long-term liability in the government-wide financial statements, as these amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

(k) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss can be reasonably estimated. Accordingly, such claims are recorded as liabilities in the governmental and proprietary funds.

(l) Bond Discounts/Issuance Costs

For the government fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of any applicable discount or premium. Issuance costs, whether or not withheld from actual net proceeds received, are reported as current expenditures. For government-wide financial statements and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(1) Summary of Significant Accounting Policies, (Continued)</p>

(m) Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino, California bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables within 90 days.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market rate (at time of purchase) and can increase the property tax rate no more than 2% per year. Cities receive a share of this basic levy proportionate to what it received in the 1976 to 1978 period. As the City of Victorville did not receive property taxes during the period of 1976-1978, the City receives a no/low property tax subvention.

(n) Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(o) Loans Receivable

The accompanying financial statements reflect the recording of certain loans receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property, including the obligation to the City. An estimate of the loss (if any) associated with non-repayment cannot be reasonably estimated at this time.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(p) Net Assets

Net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets

This amount is all net assets that do not meet the definition of “invested in capital assets” or “restricted net assets.”

(2) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 63,379,928
Cash with fiscal agent	35,950,358
Restricted cash	943,534
Fiduciary funds:	
Cash and investments	4,166,452
Cash with fiscal agent	<u>2,934,722</u>
 Total cash and investments	 <u><u>\$107,374,994</u></u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 7,826
Deposits with financial institutions	8,710,833
Investments	<u>98,656,335</u>
 Total cash and investments	 <u><u>\$107,374,994</u></u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	70%	None
U.S. Agency Securities	Yes	5 years	75%	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	15%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	5 years	5%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	No	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	180 - 270 days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	30 days	None	None
Investment Contracts	None	None	None
Federal Housing Admin Debentures	None	None	None
Certificates of Deposits	30 days	None	None
State Obligations	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Pre-refunded Municipal Obligations	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
LAIF	\$59,771,255	59,771,255	-	-	-
Held by bond trustee:					
State investment pool	31,444,474	31,444,474	-	-	-
LAIF	409,676	409,676	-	-	-
Money market funds	<u>7,030,930</u>	<u>7,030,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$98,656,335</u>	<u>98,656,335</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
LAIF	\$59,771,255	N/A	-	-	59,771,255
Held by bond trustee:					
State investment pool	31,444,474	N/A	-	-	31,444,474
LAIF	409,676	N/A	-	-	409,676
Money market funds	<u>7,030,930</u>	A	<u>-</u>	<u>7,030,930</u>	<u>-</u>
Total	<u>\$ 98,656,335</u>		<u>-</u>	<u>7,030,930</u>	<u>91,625,405</u>

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(2) Cash and Investments, (Continued)</p>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, \$7,420,316 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(3) Interfund Receivables, Payables and Transfers</p>

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Wastewater	Nonmajor Governmental Funds	36,726 (a)
Wastewater	Other Federal Grants	741,141 (b)
Nonmajor Governmental Funds	Other Federal Grants	<u>635,397 (b)</u>
Total		<u>\$1,413,264</u>

Advances to/from others fund:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Solid Waste Management	Golf Course	\$ 6,335,780 (c)
Redevelopment Agency Low and Moderate Income Housing	Redevelopment Agency – Capital project	9,813,531 (d)
	Southern California Logistic Airport Authority	1,715,210 (e)
Redevelopment Agency – Capital Project (Bear Valley Project Area)	Southern California Logistic Airport Authority	10,114,922 (f)
Victorville Water District	Municipal Utility	22,108,568 (g)
Southern California Logistic Airport Authority	Victorville Water District	22,711,781 (h)
	Redevelopment Agency Low and Moderate Income Housing	6,978,386 (i)
General Fund	Southern California Logistic Airport Authority	2,314,851 (j)
Municipal Utility	Southern California Logistic Airport Authority	1,230,671 (j)
Wastewater Enterprise Fund	Southern California Logistic Airport Authority	589,949 (j)
Nonmajor Governmental Funds	Capital Impact Facilities	1,200,000 (k)
Southern California Logistic Airport Authority	General Fund	<u>1,901,978(l)</u>
Total		<u>\$87,015,627</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(3) Interfund Receivables, Payables and Transfers, (Continued)

Generally, the above balances result from:

- (a) The \$36,726 due from Nonmajor Governmental Funds to Wastewater is short term borrowings by the Other State Grants Fund due to negative cash balances at the end of this fiscal year.
- (b) The \$741,141 due from Other Federal Grants to Wastewater and \$635,397 due from Other Federal Grants to Nonmajor Governmental Funds are short term borrowings due to negative cash balances at the end of this fiscal year.
- (c) A loan agreement was signed on November 15, 2011 by the City Council for a \$6,335,780 advance from the Solid Waste Management Fund to the Golf Course Fund. The advance is due to negative cash balances in the Golf Course Fund at year end. The advance has a term ending June 30, 2016, with annualized Local Agency Investment Fund ("LAIF") Rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$6,335,780.
- (d) The Redevelopment Agency – Capital Projects Fund entered into agreements to borrow money from the Redevelopment Agency - Low and Moderate Housing Fund to fund the cost of redevelopment activities as follows:
 - A loan agreement was signed on October 3, 2006 by the Victorville RDA for a \$3,750,000 advance from the Low and Moderate Housing Fund to the Victorville Portion of VVEDA (80%) Capital Project Fund. The advance is to be used to fund the costs of project activities. On March 16, 2010 this agreement was amended and the repayment date was extended to six years from the date of the original agreement. Interest rate on this advance is the annualized Local Agency Investment Fund ("LAIF") rate of return. The outstanding balance of the advance as of June 30, 2011 is \$4,200,518.
 - A loan agreement approved on April 23rd, 2010 by Victorville RDA for a \$5,000,000 advance from the Low and Moderate Housing Fund to the Victorville Portion of VVEDA (80%) Capital Project Fund. The advance is to be used to help make the Supplemental Education Relief Augmentation Funds (SERAF) Obligation. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$5,030,202.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(3) Interfund Receivables, Payables and Transfers, (Continued)

- Per a loan agreement signed on March 8, 1999 by the Victorville RDA, a \$300,000 advance was made from the Low and Moderate Housing Fund to the Old Town/Midtown Redevelopment Project Area. The advance is to be used to undertake redevelopment activities in the Oldtown/Midtown Project Area, and was set up because at the time there was no tax increment coming from the Oldtown/Midtown Project Area. The advance took place on July 1, 1999, with a restated term of repayment of fifteen years, including 5.69% fixed interest during the term. The outstanding balance of the advance as of June 30, 2011 is \$582,811.

Total amount of the three advances above is \$9,813,531 at June 30, 2011.

- (e) Per a loan agreement approved on October 20, 2009 by the Board of the Victorville RDA, a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the Southern California Logistics Airport Authority. The advance is to be used for Southern California Logistics Airport Authority redevelopment activities. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$1,715,210.
- (f) Per a loan agreement approved on September 15, 2009 by the Board of the Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the Southern California Logistics Airport Authority. The advance is to be used to continue redevelopment at the Southern California Logistics Airport and to fund prior years' capital improvements and redevelopment project expenses. The advance has a term of repayment of five years from the date of the agreement, with an annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$10,114,922.
- (g) The City of Victorville Municipal Utility entered into two agreements to borrow money from the Victorville Water District to fund the cost of capital improvements, general administrative and operating expenditures that were incurred by the City of Victorville Municipal Utility in the prior years:
 - An agreement was entered into on April 13, 2009 for \$2,700,000, with a term of repayment of five years from the date of the agreement, with the annualized Local Agency Investment Fund ("LAIF") rate as the interest rate. The outstanding balance of the first advance as of June 30, 2011 is \$1,878,724.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(3) Interfund Receivables, Payables and Transfers, (Continued)

- An agreement was entered into on June 30, 2009 for \$20,000,000, with a term of repayment of five years from the date of the agreement, with the annualized Local Agency Investment Fund (“LAIF”) rate as the interest rate. The outstanding balance of the second advance as of June 30, 2011 is \$20,229,844.

The sum of the two outstanding advances as of June 30, 2011 is \$22,108,567.

- (h) The City of Victorville Southern California Logistics Airport Authority entered into an agreement to lend money to the Victorville Water District to partially fund the Wastewater Treatment Facility project. The agreement was entered into on July 23, 2009 for \$20,000,000, with a term of repayment of two years from the date of the agreement with an interest rate of 7% annually. The outstanding balance of the advance (including accrued interest) as of June 30, 2011 is \$22,711,781.
- (i) Per a loan agreement approved on July 21, 2009 by the Board of the Victorville RDA, a \$6,906,148 advance was made from the Agency’s portion of VVEDA’s 20% Low and Moderate Housing Fund to the Southern California Logistics Airport Authority. The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund (“LAIF”) rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$6,978,386.
- (j) The \$2,314,851, \$1,230,671 and \$589,949 due from the Southern California Logistic Airport Authority to the General Fund, Municipal Fund and Wastewater Enterprise Fund are interfund borrowing due to negative cash balances at the end of this fiscal year.
- (k) Per a loan agreement signed on November 15, 2011 by the board of the City Council, a \$1,200,000 advance was made from the Storm Drain Utility Fund (Non-Major Governmental Fund) to the Capital Improvement Facilities Fund. The advance is due to negative fund balance in the Capital Improvement Facilities Fund. The advance has a term ending June 30, 2016, with an annualized Local Agency Investment Fund (“LAIF”) rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$1,200,000
- (l) Per a loan agreement signed on September 21, 2010 by the board of the SCLAA, a \$1,895,090 advance was made from the SCLAA to the General Fund. The advance is to be used for the purchased of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. There is an annualized rate of return at 0.495%, as the interest rate. The outstanding balance of the advance as of June 30, 2011 is \$1,901,978.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(3) Interfund Receivables, Payables and Transfers, (Continued)</p>
--

Transfers in/out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 885,611 (1)
	Other Federal Grants	<u>1,191 (1)</u>
	Subtotal	<u>886,802</u>
Measure I Street Arterials	General Fund	<u>44,877 (2)</u>
Other Federal Grants	Wastewater	<u>12,444 (3)</u>
Capital Impact Facilities	Nonmajor Governmental Fund	<u>95,011 (4)</u>
Nonmajor Governmental Funds	General Fund	<u>86,782 (5)</u>
Southern California Logistic Airport Authority	Low and Moderate Income Housing	3,234,303 (6)
	Victorville Redevelopment Agency Capital Project Fund	16,880,912 (6)
	Other Federal Grants	242,565 (7)
	Southern California Logistic Rail Authority	218,287 (8)
	Wastewater	12,690 (9)
	Measure I	<u>1,241,263 (10)</u>
	Subtotal	<u>21,830,020</u>
Southern California Logistic Rail Authority	Southern California Logistic Airport Authority	<u>17,620 (11)</u>
City Golf	General Fund	<u>1,400,322 (12)</u>
Victorville Redevelopment Agency Capital Projects Fund	Nonmajor Governmental Funds	
	Debt Service Funds	<u>1,649,857 (13)</u>
Wastewater	Victorville Water District	<u>501,834 (14)</u>
Total		<u><u>\$26,525,569</u></u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(3) Interfund Receivables, Payables and Transfers, (Continued)

1. The Nonmajor Governmental fund transfer of \$886,802 to General Fund mainly consisted of a transfer from Traffic Safety fund of \$885,611 to support engineering function of the traffic safety.
2. To reimburse the Measure I funds of the traffic control, signal maintenance and transit expenditures.
3. To close out excess EPA reclaimed Water Project expenditures from the Wastewater fund.
4. Transfer from the Other State Grants to the Capital Impact Facilities to cover expenditures at Sunset Ridge Park.
5. To reimburse bus shelter and transit expenditure incurred by the transportation tax nonmajor fund and close out the OTS Grant.
6. \$20,115,215 was transferred from the Redevelopment Agency Low and Moderate Housing and Capital Project funds for the SCLAA's property tax increment that was pledged for debt service.
7. Transfer of STIP Rip Grant revenue in the Other Federal Grants Fund to the Southern California Logistics Airport Authority (SCLAA) to reimburse the SCLAA for bond proceeds used to purchase land for the Nisqualli interchange project.
8. Transfer revenue from Southern California Logistic Rail Authority to Southern California Logistic Airport Authority for Rail Right of Way Acquisition project and miscellaneous interest income in Rail Authority.
9. Transfer expenditures for match grant fund from Wastewater Enterprise Fund to Southern California Logistic Airport Authority for Electrical Backbone East Project.
10. Transfer from the Measure I Fund to the Southern California Logistics Airport Authority (SCLAA) to reimburse the SCLAA for bond proceeds used to purchase land for the Nisqualli interchange project.
11. Transfer from Southern California Logistic Airport Authority to Southern California Logistic Rail Authority for miscellaneous expenditures.
12. Transfer revenue from General Fund to the Golf Courses to balance budget expenditures over revenues.
13. Transfer of Tax Increment Revenues from Debt Service Fund to Victorville Redevelopment Agency Capital Projects Fund to finance expenditures incurred by these funds.
14. Transfer of expenditures from Wastewater Enterprise Fund to Water Fund for Electrical Backbone Eastside Project.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets

Governmental activities

The following is a summary of changes in capital assets for the year ended June 30, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Non-depreciable assets:				
Land	\$ 37,059,049	9,820,130	(843,126)	46,036,053
Right of way	179,485,470	510,469	-	179,995,939
Construction in progress	<u>31,065,538</u>	<u>3,465,653</u>	<u>(22,995,633)</u>	<u>11,535,558</u>
Total non-depreciable assets	<u>247,610,057</u>	<u>13,796,252</u>	<u>(23,838,759)</u>	<u>237,567,550</u>
Depreciable assets:				
Buildings and improvements	70,707,671	703,056	(363,925)	71,046,802
Furniture and equipment	12,676,195	34,365	(600,152)	12,110,408
Computer and communications	4,267,591	21,748	(1,326,408)	2,962,931
Vehicles	3,566,882	-	(365,401)	3,201,481
Infrastructure	437,663,093	17,784,294	-	455,447,387
Intangible assets:				
Right-of-way easements	-	10,000	-	10,000
Computer software	<u>-</u>	<u>1,275,251</u>	<u>-</u>	<u>1,275,251</u>
Total depreciable assets	<u>528,881,432</u>	<u>19,828,714</u>	<u>(2,655,886)</u>	<u>546,054,260</u>
Less accumulated depreciable:				
Buildings and improvements	(14,683,724)	(2,098,697)	277,215	(16,505,206)
Furniture and equipment	(8,525,683)	(762,934)	138,459	(9,150,158)
Computer and communications	(3,909,729)	(208,464)	1,649,156	(2,469,037)
Vehicles	(3,071,218)	(207,421)	367,854	(2,910,785)
Infrastructure	(238,993,280)	(21,030,872)	-	(260,024,152)
Intangible assets:				
Right-of-way easements	-	(10,000)	-	(10,000)
Computer software	<u>-</u>	<u>(1,207,046)</u>	<u>-</u>	<u>(1,207,046)</u>
Total accumulated depreciation	<u>(269,183,634)</u>	<u>(25,525,434)</u>	<u>2,432,684</u>	<u>(292,276,384)</u>
Total depreciable assets, net	<u>259,697,798</u>	<u>(5,696,720)</u>	<u>(223,202)</u>	<u>253,777,876</u>
Capital assets, net	<u>\$ 507,307,855</u>	<u>8,099,532</u>	<u>(24,061,961)</u>	<u>491,345,426</u>

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(4) Capital Assets, (Continued)</p>

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 4,067,910
Public safety	10,216,612
Community development	2,456,965
Public works	6,962,836
Parks and recreation	<u>1,821,111</u>
	<u>\$25,525,434</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

Business-type activities

The following is a summary of capital assets for enterprise funds at June 30, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Non-depreciable assets				
Land	\$ 43,950,845	789,456	(1,900,587)	42,839,714
Intangibles – service credit	3,780,000	5,497	-	3,785,497
Water rights	1,433,400	-	-	1,433,400
Construction in progress	57,852,857	11,779,400	(26,751,261)	42,880,996
Total non-depreciable assets	<u>107,017,102</u>	<u>12,574,353</u>	<u>(28,651,848)</u>	<u>90,939,607</u>
Depreciable assets:				
Buildings and improvements	155,194,020	62,421,689	(128,313)	217,487,396
Furniture and equipment	29,781,162	327,606	(676,802)	29,431,966
Computer and communication	759,020	14,172	-	773,192
Vehicles	3,798,016	177,634	(196,379)	3,779,271
Infrastructure	310,327,517	27,433,503	(1,179,814)	336,581,206
Water rights	11,245,075	-	-	11,245,075
Intangibles - water related	645,310	33,700	(301,564)	377,446
Total depreciable assets	<u>511,750,120</u>	<u>90,408,304</u>	<u>(2,482,872)</u>	<u>599,675,552</u>
Less accumulated depreciation				
Buildings and improvements	(73,193,396)	(4,460,553)	1,584	(77,652,365)
Furniture and equipment	(10,442,930)	(1,419,703)	429,093	(11,433,540)
Computer and communication	(531,825)	(70,841)	-	(602,666)
Vehicles	(2,330,653)	(434,860)	185,123	(2,580,390)
Infrastructure	(84,168,869)	(10,403,727)	162,221	(94,410,375)
Water rights	(4,254,770)	(727,453)	-	(4,982,223)
Intangibles - water related	(645,310)	-	301,564	(343,746)
Total accumulated depreciation	<u>(175,567,753)</u>	<u>(17,517,137)</u>	<u>1,079,585</u>	<u>(192,005,305)</u>
Total depreciable assets, net	<u>336,182,367</u>	<u>72,891,167</u>	<u>(1,403,287)</u>	<u>407,670,247</u>
Capital assets, net:	<u>\$ 443,199,469</u>	<u>85,465,520</u>	<u>(30,055,135)</u>	<u>498,609,854</u>

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

(4) Capital Assets, (Continued)

Depreciation expense was charged in the following programs of the primary government:

Water	\$ 7,113,325
Airport	5,657,871
Municipal Utility	980,888
Golf Courses	570,178
Solid Waste Management	200,475
Wastewater	1,249,072
Rail	<u>1,745,328</u>
Total	<u>\$17,517,137</u>

(5) Land Held for Resale

As of June 30, 2011, the Victorville Redevelopment Agency has acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the recorded amount of \$20,432,175.

(6) Long-Term Notes Receivable

Affordable Housing Loans Receivable

The Victorville Redevelopment Agency and Southern California Logistic Airport Authority (SCLAA) have entered into agreements with developers to establish various affordable housing project loans. At June 30, 2011, the Victorville Redevelopment Agency and SCLAA outstanding loans receivable are \$5,328,882 and \$1,510,341 respectively.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(7) Governmental Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2011</u>	<u>Due Within One Year</u>
City Debt:					
Compensated Absences	\$ 2,786,865	1,251,961	(1,321,639)	2,717,187	543,437
OPEB Obligation	4,165,230	2,998,000	(211,000)	6,952,230	-
Capital Leases:					
Bank of America	418,054	-	(275,865)	142,189	142,189
Municipal Finance Corp.	70,415	-	(70,415)	-	-
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002 Tax Allocation Bonds, A	8,490,000	-	(235,000)	8,255,000	240,000
2003 Tax Allocation Bonds, A	8,995,000	-	(245,000)	8,750,000	260,000
2003 Tax Allocation Bonds, B	4,420,000	-	(120,000)	4,300,000	125,000
2006 Tax Allocation Bonds, A	<u>21,375,000</u>	<u>-</u>	<u>(285,000)</u>	<u>21,090,000</u>	<u>300,000</u>
Totals	<u>\$50,720,564</u>	<u>4,249,961</u>	<u>(2,763,919)</u>	<u>52,206,606</u>	<u>1,610,626</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$2,717,187 at June 30, 2011, will be paid in future years from future resources, generally liquidated by the General Fund.

Capital Leases

Bank of America

In November 2006, the City entered into an agreement with Bank of America Public Capital Corp. to set up a \$1,300,000 lease purchase agreement. The proceeds were used to lease three fire trucks, recorded at its acquisition cost of \$1,300,000.

The lease has an interest rate of 4.10%. Repayments by the City will be made in semi-annual payments of \$145,103. Semi-annual payments from the City began in May of 2007 and continued through November of 2011. The amount of the lease purchase agreement outstanding at June 30, 2011 is \$142,188.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(7) Governmental Long-Term Liabilities, (Continued)

Capital Leases, (Continued)

Municipal Finance Corporation

In October 2000, the City entered into an agreement with Municipal Finance Corporation to set up a \$921,439 lease with option to purchase. The proceeds were used for an energy retrofit project, recorded at its acquisition cost of \$921,439 (\$928,827, less estimated investment earnings of \$7,388).

The lease has an annual interest rate of 6.10%. Repayments by the City will be made in quarterly payments ranging from \$14,052 to \$37,556. Quarterly payments from the City began in February of 2001 and continued through November of 2010. The Municipal Finance Corporation Capital Lease has been paid in full as of June 30, 2011.

Tax Allocation Bonds

2002 Tax Allocation Bonds, Series A

In August 2002, the Redevelopment Agency issued \$9,710,000 principal amount of Tax Allocation Bonds, Series A. The proceeds were used to finance certain redevelopment activities within and of the benefit to the project area.

Bonds maturing in the years 2003 to 2021 are serial bonds payable December 1 in annual installments of \$80,000 to \$290,000. Bonds maturing on December 1, 2014, December 1, 2031 and December 1, 2031 in the amounts of \$455,000, \$1,545,000 and \$3,890,000 are term bonds. The outstanding bonds (serial and term) bear interest at 3.00% to 5.14% due December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The serial bonds maturing on December 1, 2013 are subject to optional redemption in whole or in part by lot, with premium of 2%, 1% and 0% for periods December 1, 2012 to November 30, 2013, December 1, 2013 to November 30, 2014 and December 1, 2014 and thereafter, respectively.

The term bonds maturing on December 1, 2014, December 1, 2031 and December 1, 2031 are subject to mandatory redemption in part by lot, without premium commencing December 1, 2005, December 1, 2015 and December 1, 2022 respectively, from sinking fund payments made by the Agency.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(7) Governmental Long-Term Liabilities, (Continued)

Tax Allocation Bonds, (Continued)

2002 Tax Allocation Bonds, Series A, (Continued)

The required reserve for the Bonds is \$650,054. As of June 30, 2011, the reserve amount consisting of fiscal agent cash and an insurance policy was \$650,849. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2011 is \$8,255,000.

2003 Tax Allocation Bonds, Series A

In September 2003, the Redevelopment Agency issued \$10,195,000 principal amount of Tax Allocation Bonds, Series A. The proceeds were used to refund the 1994 Tax Allocation Bonds, Series A, as well as finance certain redevelopment activities within and of the benefit to the project area.

Bonds maturing in the years 2004 to 2020 are serial bonds payable December 1 in annual installments of \$95,000 to \$380,000. Bonds maturing on December 1, 2023, December 1, 2027 and December 1, 2031 in the amounts of \$1,250,000, \$1,975,000 and \$2,410,000 are term bonds. The outstanding bonds (serial and term) bear interest at 3.00% to 5.09% due December 1 of each year.

The term bonds maturing on December 1, 2023, December 1, 2027 and December 1, 2031 are subject to mandatory redemption in part by lot, without premium commencing December 1, 2021, December 1, 2024 and December 1, 2028 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$687,625. As of June 30, 2011, the reserve amount consisting of fiscal agent cash and an insurance policy was \$688,106. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2011 is \$8,750,000.

2003 Tax Allocation Bonds, Series B

In September 2003, the Redevelopment Agency issued \$5,025,000 principal amount of Tax Allocation Bonds, Series B. The proceeds were used to refund the 1994 Tax Allocation Bonds, Series C, as well as finance certain redevelopment activities within and of the benefit to the project area.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(7) Governmental Long-Term Liabilities, (Continued)</p>

Tax Allocation Bonds, (Continued)

2003 Tax Allocation Bonds, Series B, (Continued)

Bonds maturing in the years 2004 to 2022 are serial bonds payable December 1 in annual installments of \$60,000 to \$205,000. Bonds maturing on December 1, 2027 and December 1, 2031 in the amounts of \$1,185,000 and \$1,185,000 are term bonds. The outstanding bonds (serial and term) bear interest at 3.00% to 5.09% due December 1 of each year.

The term bonds maturing on December 1, 2027 and December 1, 2031 are subject to mandatory redemption in part by lot, without premium commencing December 1, 2023 and December 1, 2028 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$340,963. As of June 30, 2011, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,310. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2011 is \$4,300,000.

2006 Taxable Tax Allocation Parity Bonds, Series A

In May 2006, the Redevelopment Agency issued \$22,975,000 principal amount of Taxable Tax Allocation Parity Bonds, Series A. The proceeds were used to finance certain redevelopment activities benefiting the project area.

Bonds maturing on December 1, 2011, December 1, 2021 and December 1, 2036 in the amounts of \$2,185,000, \$4,175,000 and \$16,615,000 are term bonds. The outstanding bonds bear interest at 5.375% to 6.000% due June 1 and December 1 of each year. The bonds are subject to redemption prior to maturity as described in the bond covenants.

The bonds maturing on December 1, 2011, December 1, 2021 and December 1, 2036 are subject to mandatory redemption in part by pro rata, without premium commencing December 1, 2006, December 1, 2012 and December 1, 2022 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$2,087,412. As of June 30, 2011, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,089,995. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2011 is \$21,090,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(7) Governmental Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2011, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30</u>	<u>Tax Allocation Bonds Principal</u>	<u>Tax Allocation Bonds Interest</u>	<u>Capital Lease Agreements Principal</u>	<u>Capital Lease Agreements Interest</u>
2012	\$ 925,000	2,278,358	142,189	11,881
2013	965,000	2,235,673	-	-
2014	1,010,000	2,189,548	-	-
2015	1,060,000	2,139,494	-	-
2016	1,110,000	2,085,756	-	-
2017	1,165,000	2,029,330	-	-
2018	1,225,000	1,969,850	-	-
2019	1,285,000	1,907,094	-	-
2020	1,350,000	1,839,540	-	-
2021	1,420,000	1,766,854	-	-
2022	1,495,000	1,690,057	-	-
2023	1,575,000	1,608,159	-	-
2024	1,660,000	1,521,006	-	-
2025	1,745,000	1,429,231	-	-
2026	1,840,000	1,332,556	-	-
2027	1,940,000	1,230,575	-	-
2028	2,045,000	1,123,034	-	-
2029	2,155,000	1,008,625	-	-
2030	2,275,000	886,886	-	-
2031	2,400,000	758,334	-	-
2032	2,530,000	622,772	-	-
2033	2,670,000	473,100	-	-
2034	2,830,000	308,100	-	-
2035	3,000,000	133,200	-	-
2036	350,000	32,700	-	-
2037	<u>370,000</u>	<u>11,100</u>	<u>-</u>	<u>-</u>
Total	<u>\$42,395,000</u>	<u>34,610,932</u>	<u>142,189</u>	<u>11,881</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities,

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011	Due Within One Year
Business-Type Debt:					
Compensated Absences	\$ 508,430	277,584	(403,164)	382,850	76,570
OPEB Obligation	376,441	370,000	(193,000)	553,441	-
Notes Payable:					
EB 5 Loans Payable	3,048,611	4,500,000	(1,535,972)	6,012,639	-
Lease Purchase Agreements:					
Zion First National Bank	356,040	-	(356,040)	-	-
Key Government Finance	911,025	-	-	911,025	162,803
Burrtec Industries	1,123,657	-	(182,474)	941,183	188,965
Lease Subtotal	2,390,722	-	(538,514)	1,852,208	351,768
Installment Sale Agreement:					
LaSalle Bank National Association	472,998	-	(312,386)	160,612	160,612
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	24,185,000	-	(725,000)	23,460,000	750,000
Less: unamortized discount	(192,408)	-	9,180	(183,228)	(9,180)
2005 TABs Subtotal	23,992,592	-	(715,820)	23,276,772	740,820
2006 Tax Allocation Bonds (Non-housing bond)	58,340,000	-	(790,000)	57,550,000	820,000
Less: unamortized discount	(711,619)	-	20,970	(690,649)	(20,970)
2006 TABs Subtotal	57,628,381	-	(769,030)	56,859,351	799,030
2006 Tax Allocation Bonds (Housing Set-Aside)	15,670,000	-	(210,000)	15,460,000	220,000
Less: unamortized discount	(193,734)	-	5,709	(188,025)	(5,709)
2006 TABs Subtotal	15,476,266	-	(204,291)	15,271,975	214,291
2006 Tax Allocation Bonds (Parity Bonds)	42,760,000	-	(80,000)	42,680,000	85,000
Less: unamortized discount	(503,102)	-	14,809	(488,293)	(14,809)
2006 TABs Subtotal	42,256,898	-	(65,191)	42,191,707	70,191
2006 Tax Allocation Bonds (Revenue Parity Bonds)	34,395,000	-	(315,000)	34,080,000	330,000
Less: unamortized discount	(393,951)	-	11,817	(382,134)	(11,817)
2006 TABs Subtotal	34,001,049	-	(303,183)	33,697,866	318,183

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011	Due Within One Year
Tax Allocation Bonds (Continued):					
2006 Tax Allocation Bonds					
(Revenue Bonds)	62,680,000		(595,000)	62,085,000	630,000
Less: unamortized discount	<u>(2,924,327)</u>	<u>-</u>	<u>87,576</u>	<u>(2,836,751)</u>	<u>(87,576)</u>
2006 TABs Subtotal	<u>59,755,673</u>	<u>-</u>	<u>(507,424)</u>	<u>59,248,249</u>	<u>542,424</u>
2007 Tax Allocation Bonds	39,575,000		(435,000)	39,140,000	460,000
Less: unamortized discount	<u>(534,322)</u>	<u>-</u>	<u>15,835</u>	<u>(518,487)</u>	<u>(15,835)</u>
2007 TABs Subtotal	<u>39,040,678</u>	<u>-</u>	<u>(419,165)</u>	<u>38,621,513</u>	<u>444,165</u>
2007 Tax Allocation Bonds					
(Non-housing bond)	41,095,000	-	(445,000)	40,650,000	465,000
Less: unamortized discount	<u>(1,395,338)</u>	<u>-</u>	<u>41,715</u>	<u>(1,353,623)</u>	<u>(41,715)</u>
2007 TABs Subtotal	<u>39,699,662</u>	<u>-</u>	<u>(403,285)</u>	<u>39,296,377</u>	<u>423,285</u>
2008 Tax Allocation Bonds	14,491,719	641,925	(65,000)	15,068,644	70,000
Less: unamortized discount	<u>(65,260)</u>	<u>-</u>	<u>1,596</u>	<u>(63,664)</u>	<u>(1,596)</u>
2008 TABs Subtotal	<u>14,426,459</u>	<u>641,925</u>	<u>(63,404)</u>	<u>15,004,980</u>	<u>68,404</u>
Tax Allocation Funds Subtotal	<u>326,277,658</u>	<u>641,925</u>	<u>(3,450,793)</u>	<u>323,468,790</u>	<u>3,620,793</u>
Lease Revenue Bonds:					
2007 Variable Rate Lease					
Revenue Bond	<u>83,770,000</u>	<u>-</u>	<u>(300,000)</u>	<u>83,470,000</u>	<u>300,000</u>
Revenue Refunding Bonds:					
2004 Refunding Bonds	2,065,000	-	(167,500)	1,897,500	172,500
Less: unamortized discount	<u>(91,285)</u>	<u>-</u>	<u>9,128</u>	<u>(82,157)</u>	<u>(9,128)</u>
2004 Refunding Subtotal	<u>1,973,715</u>	<u>-</u>	<u>(158,372)</u>	<u>1,815,343</u>	<u>163,372</u>
Certificates of Participation:					
1998 COPs	<u>1,985,000</u>	<u>-</u>	<u>(95,000)</u>	<u>1,890,000</u>	<u>95,000</u>
2006 COPs	<u>12,355,000</u>	<u>-</u>	<u>(255,000)</u>	<u>12,100,000</u>	<u>265,000</u>
Certificates of Participation					
Subtotal	<u>14,340,000</u>	<u>-</u>	<u>(350,000)</u>	<u>13,990,000</u>	<u>360,000</u>
Total	<u>\$433,158,575</u>	<u>5,789,509</u>	<u>(7,242,201)</u>	<u>431,705,883</u>	<u>5,785,333</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$553,441 at June 30, 2011, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the Southern California Logistic Airport Authority.

EB5 Loan Payable

On January 15, 2009, the City of Victorville, on behalf of the Regional Center of Victorville Development, Inc. (RCVD) submitted a regional center application to the USCIS requesting its consideration in approving qualified investment to be made by investor visa applicants within the City of Victorville. On June 29, 2009, the USCIS awarded the designation of the Regional Center to the Victorville Regional Center (VRC). Later on August 27, 2009 the RCVD became a new California nonprofit corporation. The Board of Directors of the RCVD is comprised of three city employees.

The EB-5 Pilot Immigration Program ("Program") permits foreign citizens to receive permanent U.S. residency in exchange for making a minimum investment of \$500,000 in a new commercial enterprise that will create at least ten direct or indirect full-time jobs in an area designated by the USCIS as a Regional Center.

On September 3, 2009, the RCVD, Inland Group, Inc. (Inland), the Inland Development Group I, Inc. (the General Partner), and the Victorville Regional Center I, L.P. (the Partnership) entered into the RCVD Advisory Agreement to formally permit fundraising from EB-5 immigrant investors and making loans to the SCLAA up to \$25 million for the construction of the SCLAA Wastewater Treatment Facility. During Fiscal Year 2011, the SCLAA received a total of \$4,500,000 loan from nine investors.

The loans have an annual interest of 5% and mature in 5 years. One half of the interest accrued on these loans are payable annually. As of June 30, 2011 the amount of loans payable outstanding is \$6,012,639, including accrued interest of \$12,639.

On May 4, 2010 the United States Customs and Immigration Services (USCIS) issued a notice with intent to terminate the Victorville Regional Center (VRC) designation as a regional center. This letter is followed by a second intent to terminate letter on August 10, 2010 and a final termination notice on October 20, 2010. According to the notice, USCIS could not conclude that the Victorville Regional Center remained eligible for the Regional Center designation as several issues remained unresolved with respect to the underlying viability and EB-5 compliance of the Victorville Regional Center's capital investment projects. The final notice indicated that evidence (provided by the VRC) fails to establish that the Victorville Regional Center has or will continue to serve the purpose of the Pilot Program.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

EB5 Loan Payable, (Continued)

On November 16, 2010, the USCIS received a motion to Reopen/Motion to Reconsider (“MTR”) filed by the Victorville Regional Center in response to the USCIS’ Notice of Termination. On December 14, 2010 the USCIS sent a Request for Evidence related to the motion, indicating that the Victorville Regional Center has not provided sufficient evidence to establish eligibility for the benefit sought. The Victorville Regional Center has since decided to abandon the EB-5 project and return all principal and accrued interest to the investors. During the year the RVC returned \$1,535,972 to three investors and plan to return the remaining balance prior to fiscal year end June 30, 2012.

Lease Purchase Agreements:

Zion First National Bank

In May of 2003, the Municipal Utility entered into an agreement with Zion’s National Bank to set up a \$2,300,000 lease purchase agreement. The proceeds were used to lease co-generation equipment necessary for ongoing activities, recorded at its acquisition cost of \$2,730,173.

The lease has an interest rate of 5.22%. Repayments by the Municipal Utility will be made in quarterly payments of \$91,933. Quarterly payments from the Municipal Utility began in November of 2003 and continue through May of 2011. The Zion First National Bank Lease Purchase Agreement has been paid in full as of June 30, 2011.

Key Government Finance, Inc.

In June 2006, the City of Victorville entered into an agreement with Key Government Finance, Inc. to set up a \$2,200,000 equipment lease purchase agreement. The proceeds were used to purchase a Rainbird Golf Irrigation System necessary for repair, maintenance parts and minimal repair training technique.

The lease has an interest rate of 5.49%. Repayments by the City Golf will be made in annual payments of \$214,115. Annual payments from the City Golf began in July of 2006 and continue through July of 2015. The amount of the equipment lease purchase agreement outstanding at June 30, 2011 is \$911,025.

Burrtec Waste Industries

In March 2004, the City of Victorville and the Town of Apple Valley entered into an agreement with Burrtec Waste Industries to set up a \$3,124,875 lease purchase agreement. The proceeds were used to make certain facility improvements in order to increase materials recovery and reduce operating costs.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Burrtec Waste Industries, (Continued)

The lease has an interest rate of 3.50%. Repayments by the Solid Waste Management will be made in monthly payments of \$30,901. Monthly payments from the Solid Waste Management began in March of 2006 and continue through February of 2016. The outstanding amount at June 30, 2011 for the City of Victorville is \$941,183.

Installment Sale Agreement:

2004 La Salle Water Rights Note Payable

In May 2004, the City of Victorville's Baldy Mesa Water District entered into a note payable for \$2,243,000. The proceeds were used for the purpose of financing the purchase of water rights.

The note payable has an interest rate of 3.76%. The annual debt service is a special limited obligation of the Baldy Mesa Water District payable from and secured by a pledge of and lien on the net revenues of the Water District. Principal and interest payments are due each November 26th and May 26th. The amount of the note payable outstanding at June 30, 2011 is \$160,162.

Tax Allocation Bonds:

Tax Allocation Parity Bonds, Series 2005A

In June 2005, the Southern California Logistics Airport Authority issued \$42,185,000 principal amount of Tax Allocation Parity Bonds, Series 2005A. This debt was issued to finance certain public capital improvements benefiting the Southern California Logistics Airport.

On February 8, 2006, \$1.8 million of bond proceeds was invested in land for the construction of a new City library. Prior to this purchase (on November 3, 2005), the Board of Directors of the SCLAA adopted a resolution with the intent of entering into a loan agreement between the SCLAA and the City with respect to this land purchase. As of June 30, 2010, this loan agreement had not been executed. This investment of bond proceeds has not yet been approved by the insurer as required by the debt agreement.

Bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Tax Allocation Parity Bonds, Series 2005A, (Continued)

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2015 are subject to optional redemption in whole or in part by lot, without premium.

The bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds have been partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2011 the reserve amount was \$1,797,890. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$183,228) at June 30, 2011 is \$23,276,772.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing)

In June 2006, the Southern California Logistics Airport Authority issued \$62,780,000 principal amount of Tax Allocation Revenue Parity Bonds, Refunding Series 2006. The proceeds were used to refund the 2001 Tax Allocation Bonds, a portion of 2003 Tax Allocation Bonds, and a portion of 2005 Tax Allocation Bonds. As a result, the 2001 and 2003 Tax Allocation Bonds are considered to be defeased, and the 2005 Tax Allocation Bonds are considered to be partially defeased. The respective liabilities have been removed from the statement of net assets.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of \$6,895,000, \$8,595,000, \$10,810,000 and \$20,335,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing), (Continued)

The required reserve for the bonds is \$3,519,300. As of June 30, 2011, the reserve amount was \$3,521,900. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$690,649) at June 30, 2011 is \$56,859,351.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Housing Set-Aside)

In June 2006, the Southern California Logistics Airport Authority issued \$16,855,000 principal amount of Housing Set-Aside Revenue Bonds, Refunding Series 2006. The proceeds were used to refund a portion of the 2003 Tax Allocation Bonds. As a result the 2003 Tax Allocation Bond is considered to be defeased and the liability has been removed from the statement of net assets.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of \$1,855,000, \$2,305,000, \$2,905,000 and \$5,460,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

The required reserve for the bonds is \$946,001. As of June 30, 2011, the reserve amount was \$946,682. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$188,025) at June 30, 2011 is \$15,271,975.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

In June 2006, the Southern California Logistics Airport Authority issued \$45,020,000 principal amount of Tax Allocation Revenue Parity Bonds, Taxable Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Airport.

Bonds maturing on December 1, 2036, and December 1, 2043 in the amounts of \$20,080,000, and \$24,940,000 are term bonds. The outstanding bonds bear interest at 6.10% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds are subject to optional redemption in whole or in part by lot, subject to a premium.

The bonds maturing on December 1, 2036, December 1, 2043 are subject to mandatory redemption in part by pro rata, without premium, commencing December 1, 2006, December 1, 2037, respectively, from sinking fund payments made by SCLAA.

The required reserve for the bonds is \$4,245,559. As of June 30, 2011, the reserve amount was \$4,245,559. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$488,293) at June 30, 2011 is \$42,191,707.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

In November 2006, Southern California Logistics Airport Authority issued \$34,980,000 principal amount of Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006. The proceeds were used to finance and refinance certain redevelopment activities benefiting the Southern California Logistics Airport.

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$50,000 to \$2,320,000, commencing December 1, 2007. The bonds accrue interest at rates between 6.25% and 6.30%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by pledged tax revenues. The required reserve for the Bonds is \$2,476,455. As of June 30, 2011, the reserve amount was \$2,476,455. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$382,134) at June 30, 2011 is \$33,697,866.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

In November 2006, the Southern California Logistics Airport Authority issued \$64,165,000 principal amount of Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport.

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$395,000 to \$4,135,000, commencing December 1, 2007. The bonds accrue interest at 6.05%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2011, the reserve amount was \$4,389,930. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$2,836,751) at June 30, 2011 is \$59,248,249.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

In March 2007, the Southern California Logistics Airport Authority issued \$41,460,000 principal amount of Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007. The proceeds were used to finance certain low and moderate income housing programs of the Authority. On July 7, 2009, \$20,000,000 of bond proceeds were invested in a loan to the Victorville Water District. This investment has not yet been approved by the insurer as required by the debt agreement.

Bonds maturing on December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, and December 1, 2043 in the amounts of \$3,265,000, \$2,800,000, \$3,620,000, \$4,685,000 and \$27,090,000 are term bonds. The outstanding bonds bear interest at 5.00%, 5.20%, 5.25%, 5.40% and 5.55% due June 1 and December 1 of each year.

The bonds are subject to optional redemption in whole or in part by lot, without premium.

The required reserve for the Bonds is \$2,600,910. As of June 30, 2011, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,602,410. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$518,487) at June 30, 2011 is \$38,621,513.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Subordinate Tax Allocation Revenue Bonds, Series 2007

In December 2007, the Southern California Logistics Airport Authority issued \$42,000,000 principal amount Subordinate Tax Allocation Revenue Bonds, Series 2007. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport.

Bonds maturing on December 1, 2008, December 1, 2009, December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, December 1, 2032, December 1, 2032, December 1, 2037, December 1, 2037, December 1, 2037, December 1, 2043 and December 1, 2043 in the amounts of \$480,000, \$425,000, \$1,395,000, \$2,805,000, \$3,640,000, \$4,745,000, \$3,000,000, \$3,275,000, \$3,325,000, \$3,800,000, \$1,250,000, \$9,210,000 and \$4,650,000 are term bonds. The outstanding bonds bear interest at 4.000%, 4.200%, 4.375%, 5.250%, 5.375%, 5.600%, 5.900%, 6.000%, 5.900%, 6.000%, 6.100%, 5.900% and 6.150% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2017, in whole or in part by lot, without premium.

The bonds maturing on the dates described above are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028, December 1, 2033, December 1, 2033, December 1, 2033, December 1, 2038, and December 1, 2038, respectively, from sinking fund payments made by SCLAA.

The required reserve for the Bonds is \$2,824,473. As of June 30, 2011, the reserve amount was \$2,824,473. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$1,353,623) at June 30, 2011 is \$39,296,377.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Subordinate Tax Allocation Revenue Bonds, Series 2008

In May 2008, the Southern California Logistics Airport Authority issued \$13,334,925 principal amount of Subordinate Tax Allocation Revenue Bonds, Series 2008A. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport and to partially refund the \$35,000,000 principal amount of Subordinate Tax Allocation Revenue Notes, Series 2008 (see below).

Bonds maturing on December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2033, December 1, 2038, and December 1, 2043 in the amounts of \$130,000, \$215,000, \$340,000, \$530,000, \$1,675,000, \$1,285,000, and \$1,720,000 are Current Interest Bonds. The outstanding bonds bear interest at 4.25%, 4.50%, 5.00%, 5.25%, 6.00%, 6.00% and 6.00% due June 1 and December 1 of each year.

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of \$1,316,266, \$1,216,397, \$1,123,621, \$1,037,536, \$957,600, \$883,633, and \$814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.300%, 7.320%, 7.340%, 7.360%, 7.380%, 7.400% and 7.420%. All of the bonds have a maturity value of \$18,085,000.

The Current Interest Bonds are subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2018, in whole or in part by lot, without premium. The Capital Appreciation Bonds are subject to optional redemption in whole or in part by lot, without premium.

The required reserve for the Bonds is \$1,333,492. As of June 30, 2011, the reserve amount was \$1,333,492. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$63,664) at June 30, 2011 is \$15,004,980.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

In May 2007, the Victorville Joint Powers Financing Authority issued \$83,770,000 principal amount of Variable Rate Lease Revenue Bonds, Series 2007A. The bonds were issued to refund the 2005 Variable Rate Lease Revenue Bonds, Series A (\$41,000,000) and 2006 Variable Rate Lease Revenue Bonds, Series A (\$23,645,000). The proceeds were used to assist the City of Victorville in financing a cogeneration power plant and other related facilities.

The bonds are subject to optional redemption in whole or in part by lot, without premium.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Variable Rate Lease Revenue Bonds, Series 2007A, (Continued)

The required reserve for the Bonds is \$5,872,900. As of June 30, 2011, the reserve amount was \$5,958,382. The bonds are a special obligation of the Victorville Joint Powers Financing Authority payable from revenues consisting primarily of base rental lease payments paid by the city and amount held in the funds and established under the indenture. The amount of bonds outstanding at June 30, 2011 is \$83,470,000.

Revenue Refunding Bonds:

2004 Project Revenue Bonds

In November 1994, the City entered into an installment purchase agreement to acquire a one-half undivided interest in the Victor Valley Materials Recovery Facility. The design and construction of the Facility was completed in October 1995 and was funded by the issuance of \$6,825,000 Project Revenue Bonds, Series 1994 through the Mojave Desert and Mountain Solid Waste Joint Powers Authority (Authority). On May 1, 2004, the \$5,910,000 Project Revenue Refunding Bonds, Series 2004 were used to currently refund the 1994 bonds, which have no balance.

The City is obligated to make monthly installment purchase payments to the Authority equal to the sum of (1) one-twelfth of the next principal payment and (2) one-sixth of the next interest payment. Interest on the installment purchase obligation ranges from 2.0% to 5.1% and total annual principal installments range from \$135,000 to \$252,500.

The City will pay to the Authority the installment payments solely from service revenues, which consist primarily of rates and charges imposed by the City for Solid Waste Management services.

Covenants within the installment purchase agreement require the City of Victorville to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year. Since the beginning of the fiscal year on July 1, 2008 through June 30, 2009, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$536,070. As of June 30, 2011, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding (net of unamortized discounts of \$82,157) at June 30, 2011 is \$1,815,343.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(8) Business-Type Long-Term Liabilities, (Continued)</p>
--

Certificates of Participation:

1998 Certificates of Participation

In 1998, the City of Victorville's Baldy Mesa Water District issued 1998 Certificates of Participation in the amount \$2,850,000. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2011 is \$1,890,000.

2006 Certificates of Participation

On March 1, 2006, the City of Victorville's Baldy Mesa Water District issued 2006 Certificates of Participation. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2011 is \$12,100,000.

Rate Covenant

The 1998 and 2006 Certificates of Participation require that the Baldy Mesa Water District to generate sufficient net revenues which are at least equal to 110% of the amount of the installment payments and Parity Obligation coming due and payable in each fiscal year. The 1998 and 2006 Certificate of Participations were issued before Baldy Mesa and Victor Valley Water District were consolidated into Victorville Water District. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2011. The calculation was prepared using revenues and the proportionate expenses of the Baldy Mesa Water District.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2011, are as follows for each fiscal year ending June 30:

Year	Lease	Lease	Installment	Installment	Tax	Tax
Ending	Purchase	Purchase	Sale	Sale	Allocation	Allocation
June 30	Agreements	Agreements	Agreement	Agreement	Bonds	Bonds
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal*</u>	<u>Interest</u>
2012	\$ 351,768	81,241	160,612	3,019	3,830,000	17,797,808
2013	367,659	65,351	-	-	4,005,000	17,622,234
2014	387,305	48,704	-	-	4,195,000	17,427,121
2015	398,744	31,266	-	-	4,410,000	17,215,649
2016	346,733	13,314	-	-	4,635,000	16,992,396
2017	-	-	-	-	4,865,000	16,756,321
2018	-	-	-	-	5,110,000	16,515,295
2019	-	-	-	-	5,365,000	16,260,028
2020	-	-	-	-	5,635,000	15,988,755
2021	-	-	-	-	5,920,000	15,701,908
2022	-	-	-	-	6,225,000	15,399,533
2023	-	-	-	-	6,550,000	15,076,676
2024	-	-	-	-	6,885,000	14,736,478
2025	-	-	-	-	7,245,000	14,375,240
2026	-	-	-	-	7,630,000	13,993,878
2027	-	-	-	-	8,035,000	13,591,743
2028	-	-	-	-	8,455,000	13,166,595
2029	-	-	-	-	8,905,000	12,718,683
2030	-	-	-	-	9,385,000	12,240,955
2031	-	-	-	-	9,885,000	11,737,058
2032	-	-	-	-	10,425,000	11,205,818
2033	-	-	-	-	11,010,000	10,616,320
2034	-	-	-	-	11,640,000	9,980,790
2035	-	-	-	-	12,320,000	9,308,363
2036	-	-	-	-	13,030,000	8,596,423
2037	-	-	-	-	13,780,000	7,843,183
2038	-	-	-	-	14,575,000	7,046,258
2039	-	-	-	-	15,425,000	6,202,618
2040	-	-	-	-	16,310,000	5,309,333
2041	-	-	-	-	17,260,000	4,364,490
2042	-	-	-	-	18,260,000	3,364,248
2043	-	-	-	-	19,315,000	2,305,765
2044	-	-	-	-	20,440,000	1,185,650
2045	-	-	-	-	18,085,000	-
2046	-	-	-	-	18,085,000	-
2047	-	-	-	-	18,085,000	-

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity, (Continued)

Year Ending <u>June 30</u>	Lease Purchase Agreements <u>Principal</u>	Lease Purchase Agreements <u>Interest</u>	Installment Sale Agreement <u>Principal</u>	Installment Sale Agreement <u>Interest</u>	Tax Allocation Bonds <u>Principal*</u>	Tax Allocation Bonds <u>Interest</u>
2048	-	-	-	-	18,085,000	-
2049	-	-	-	-	18,085,000	-
2050	-	-	-	-	18,085,000	-
2051	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,085,000</u>	<u>-</u>
Subtotal	1,852,208	239,876	160,612	3,019	447,555,000	392,643,613
Less: Unam. Disc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,704,854)</u>	<u>-</u>
Total	<u>\$1,852,208</u>	<u>239,876</u>	<u>160,612</u>	<u>3,019</u>	<u>440,850,146</u>	<u>392,643,613</u>

* These total include capital appreciation of \$117,381,356 for tax allocation bonds that will be accrued in the future years.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity, (Continued)

Year Ending June 30	Certificate of Participation Principal	Certificate of Participation Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Revenue Refunding Bonds Principal	Revenue Refunding Bonds Interest
2012	\$ 360,000	642,765	400,000	3,756,150	172,500	92,075
2013	370,000	628,615	500,000	3,738,150	182,500	84,658
2014	385,000	613,905	750,000	3,715,650	190,000	76,445
2015	410,000	595,805	1,000,000	3,681,900	197,500	67,515
2016	430,000	576,655	1,620,000	3,636,900	210,000	58,035
2017	440,000	556,705	1,705,000	3,564,000	220,000	47,745
2018	465,000	536,055	1,795,000	3,487,275	230,000	36,745
2019	490,000	516,240	1,895,000	3,406,500	242,500	25,245
2020	505,000	495,240	1,995,000	3,321,225	252,500	12,877
2021	530,000	473,390	2,100,000	3,231,450	-	-
2022	550,000	450,375	2,210,000	3,136,950	-	-
2023	575,000	426,180	2,330,000	3,037,500	-	-
2024	600,000	399,845	2,455,000	2,932,650	-	-
2025	625,000	372,483	2,585,000	2,822,175	-	-
2026	465,000	348,625	2,720,000	2,705,850	-	-
2027	485,000	328,398	2,865,000	2,583,450	-	-
2028	505,000	307,300	3,020,000	2,454,525	-	-
2029	530,000	284,575	3,180,000	2,318,625	-	-
2030	555,000	260,725	3,345,000	2,175,525	-	-
2031	580,000	235,750	3,525,000	2,025,000	-	-
2032	605,000	206,750	3,715,000	1,866,375	-	-
2033	640,000	176,500	3,910,000	1,699,200	-	-
2034	670,000	144,500	4,120,000	1,523,250	-	-
2035	705,000	111,000	4,335,000	1,337,850	-	-
2036	740,000	75,750	4,565,000	1,142,775	-	-
2037	775,000	38,750	4,810,000	937,350	-	-
2038	-	-	5,065,000	720,900	-	-
2039	-	-	5,335,000	492,975	-	-
2040	-	-	<u>5,620,000</u>	<u>252,900</u>	-	-
Subtotal	13,990,000	9,802,881	83,470,000	71,705,025	1,897,500	501,340
Less: Unam. Dis.	-	-	-	-	(82,157)	-
Total	<u>\$13,990,000</u>	<u>9,802,881</u>	<u>83,470,000</u>	<u>71,705,025</u>	<u>1,815,343</u>	<u>501,340</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(9) Pledged Revenue

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Property Tax Increment pledged by the Victorville Redevelopment Agency	\$4,839,067	3,203,358	66%
Property Tax Increment (non- housing) pledged by the Southern California Logistics Airport Authority	14,424,625	18,082,421	125%
Property Tax Increment (housing) pledged by the Southern California Logistics Airport Authority	4,576,034	3,545,386	77%
Water Charges for Services	503,735	1,002,765	199%

City of Victorville
Notes to Basic Financial Statements
(Continued)

(10) Fund Balances

Fund balances of governmental funds at June 30, 2011 consisted of the following reserves:

	General Fund	Major Special Revenue Funds			Major Capital Projects		Non-Major Governmental	Total
		Low/Mod Fund	Measure I Fund	Other Fed Grants Fund	CIF Fund	Victorville RDA Fund		
Fund balances:								
Nonspendable:								
Advances to other funds	\$ 2,314,851	-	-	-	-	-	-	2,314,851
Prepaid items	7,256	-	189,034	1,158,034	-	-	-	1,354,324
Restricted for:								
Public Safety	-	-	-	-	-	-	144,253	144,253
Highways and street projects	-	-	6,405,690	-	8,601,203	-	11,076,603	26,083,496
Debt service	-	-	-	-	-	-	1,797,377	1,797,377
Low and moderate income housing	-	34,573,842	-	-	-	-	-	34,573,842
Other purposes	-	-	-	-	-	16,025,322	7,992,513	24,017,835
Unassigned:	781,523	-	-	(742,330)	-	-	(584,915)	(545,722)
Total fund balances	\$ 3,103,630	34,573,842	6,594,724	415,704	8,601,203	16,025,322	20,425,831	89,740,256

(11) Deficit Fund Balances

The following funds had deficit fund balances/net assets as of June 30, 2011.

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
CDBG and HOME Grants	\$ 584,915
Enterprise Funds:	
Southern California Logistics	
Airport Authority (SCLAA)	100,116,522
Municipal Utility	75,987,951

(12) Expenditures in Excess of Appropriations

The following funds reported total expenditures in excess of total appropriations for the year ended June 30, 2011:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds:			
Street Lighting	967,328	1,100,403	(133,075)

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan

Plan Description

The City of Victorville contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 12.380% of payroll for the miscellaneous plan.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(13) Defined Benefit Pension Plan, (Continued)</p>
--

A summary of principle assumptions and methods used to determine the ARC is shown below.

Miscellaneous Plan

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UAAL)/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/08	\$ 84,379,802	72,565,970	11,813,832	86.0%	32,871,039	35.9%
6/30/09	98,411,225	81,019,849	17,391,376	82.3%	31,226,736	55.7%
6/30/10	99,653,341	88,833,631	10,819,710	89.1%	23,148,596	46.7%

For each of the fiscal years shown below, the City has contributed at the actuarial determined rate provided by PERS' actuaries:

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 72,499	3,945,848	100%	-
6/30/10	3,876	2,963,395	100%	-
6/30/11	-	2,612,138	100%	-

The above amounts do not include the employee contribution which was paid by the employer on behalf of the employees in the amount of \$1,755,474.

(14) Deferred Compensation

The City has established a deferred compensation plan through Great-West Life and Annuity Insurance Company in accordance with Internal Revenue Code Section 457(b), whereby the City employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. The City makes no contribution to the plan on behalf of the members. Plan assets are invested in each individual's name with several deferred compensation plan providers. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. The City has no liability for losses under the plan.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan

Other Post Employment Benefits Plan

During the year ended June 30, 2009, the City implemented GASB Statement No.45 which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirement for these benefit programs as they pertain to the City are set forth below.

Plan Descriptions. The City of Victorville contributes to two single-employer defined benefit healthcare plans: City Retiree Healthcare Plan (City Plan) and Water District Retiree Healthcare Plan (District Plan). Each plan provides medical benefits to eligible retired City employees and Water District employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the City with 8 years of service (5 years for Water District employees). The Water District Retiree Healthcare Plan also provides Dental and Vision benefits to eligible former Water District employees with 15 years of service. The City provides a contribution up to a certain amount (a portion of the Health Net HMO single premium). The percentage varies based on years of City service. The City currently also pays life insurance premium for eight Water District retirees and no benefit is available for future retirees.

City's Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2011, the City contributed \$260,782 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the value of employer promised benefits expected to be earned or allocated for each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

Other Post Employment Benefits Plan, (Continued)

	<u>City and Water District Plan</u>
Annual required contribution	\$3,521,000
Interest on net OPEB obligation	184,000
Adjustment to annual required contribution	(337,000)
Prior year contribution (adjustment)	<u>76,559</u>
Annual OPEB cost (expense)	3,444,559
Contributions made (including premiums paid)	<u>(260,782)</u>
Increase in net OPEB cost (expense)	3,183,777
Net OPEB obligation – beginning of year	<u>4,541,671</u>
Net OPEB obligation – end of year	<u>\$7,725,448</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the three preceding years for each of the plans were as follows (dollar amounts in thousands):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/09	\$2,485,000	190,329	7.66%
6/30/10	2,591,000	267,441	10.32%
6/30/11	3,444,559	260,782	7.74%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information at the end of this note, present multi-year trend information about whether the actuarial value of plan asset is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

Other Post Employment Benefits Plan, (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation date and the historical pattern of sharing benefit costs between the city and the plan members to that point. Actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The City has selected the discount rate (4.25%) and healthcare is assumed to increase, on the average 7.1% for HMO's and 7.5% for PPO's a year for the next 9 year, with a 3% inflation rate.

Schedule of Funding Progress

The funding progress of the plan as of the date of the most recent actuarial valuation is as follows:

<u>Actuarial Date</u>	<u>Actuarial Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL Unfunded (UAAL)</u>	<u>Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/08	\$ -	21,266,000	21,266,000	0%	25,251,000	84%
6/30/10	\$ -	30,408,000	30,408,000	0%	26,072,000	135%

(16) Joint Ventures

The City participates in joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint ventures, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

<p style="text-align: center;">City of Victorville Notes to Basic Financial Statements (Continued)</p>

<p>(16) Joint Ventures, (Continued)</p>
--

Regional Fire Protection Authority

Regional Fire Protection Authority (RFPA) was formed in 1979 between the City of Victorville, Apple Valley Fire Protection Agency and Hesperia Fire Protection District on an equal basis to provide fire protection, emergency dispatch, and related functions in order to reduce individual agency financial and personnel requirements. An Advisory Committee was established with a representative appointed by each member agency. The Advisory Committee shall consider and adopt an annual budget for RFPA. Each member contributes its pro rata share of operating costs to RFPA. As of June 30, 2004, Hesperia Fire Protection District terminated membership in RFPA. The Authority has been inactive since the beginning of fiscal year 2010-11 and no member contributions were received. There were no separate financial statements prepared for the authority.

Mojave Desert and Mountain Integrated Waste Management Authority

Mojave Desert and Mountain Integrated Waste Management Authority (MDMA) was formed in September of 1991 between the cities of Victorville, Barstow, Big Bear Lake, Needles, Twentynine Palms, the Towns of Apple Valley and Yucca Valley and the County of San Bernardino to operate the recycling processing center known as Victor Valley Materials Recovery Facility (MRF). The City of Victorville maintains a 50% interest in the MRF. The remaining 50% interest is maintained by the Town of Apple Valley. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the MDMA. The City's contribution toward the cost of operating and maintaining facility during the year ended June 30, 2011 was \$137,600. The City's portion of MDMA debt and its operation are reflected in the solid waste management enterprise fund. Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, California 92307.

Victor Valley Economic Development Authority

The Victor Valley Economic Development Authority (VVEDA) was formed in 1992 between the Cities of Victorville and Hesperia, the Town of Apple Valley and the County of San Bernardino to provide the mechanism and funding to acquire George Air Force Base, facilitate the successful reuse of the property and promote economic development within the area surrounding the Air Base. In 2000, the City of Adelanto was added as a member of the Authority. Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14995 Dale Evans Parkway, Apple Valley, CA 92307.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (Continued)

Victor Valley Transit Authority

The Victor Valley Transit Authority (VVTA) was formed in 1993 between the Cities of Victorville, Adelanto, and Hesperia, the Town of Apple Valley, and the County of San Bernardino for the purpose of implementing a public transit system to serve the Victor Valley and to provide connecting services to all other areas. The governing body of VVTA is made up of representatives from each significant participant in VVTA. Budgeting and financing are the responsibility of VVTA. The City of Victorville has agreed to sell monthly bus passes issued by VVTA and to remit between the first and tenth day of each month the previous month's sales receipts and proceeds. Financial statements may be obtained by sending a written request to Victor Valley Transit Authority, 11741 E. Santa Fe Avenue, Hesperia, CA 92345.

Victor Valley Wastewater Reclamation Authority

The Victor Valley Wastewater Reclamation Authority (VWVRA) was formed in 1999 between the Cities of Victorville, Adelanto, and Hesperia, the Town of Apple Valley, and the County of San Bernardino for the purpose of construction, operation and maintenance of sewer collection, transmission and treatment facilities within the high desert region. The governing body of VWVRA is made up of representatives of each significant participant in VWVRA. Budgeting and financing are the responsibility of the VWVRA. The City makes monthly payments to VWVRA for sewer treatment and connection fee services. The City made payments totaling \$7,016,005 to VWVRA for the year ended June 30, 2011. Financial statements may be obtained by sending a written request to Victor Valley Wastewater Reclamation Authority, 20111 Shay Road, Victorville, CA 92394.

(17) Related Party Transaction

The Regional Center of Victorville, Inc. (RCVD) is a component unit of the City of Victorville, governed by a Board of Directors appointed by the City Council of the City of Victorville. During the fiscal years ended June 30, 2008 through June 30, 2011 the Agency funded \$830,075 for general professional services and other expenses of the RCVD. On November 17, 2009 the Agency and RCVD signed an agreement to reimburse the Agency of these expenses, payable in 5 years with interest at a rate equal to the Local Agency Investment Fund ("LAIF") rate. These expenditures were related to the start up costs of the RCVD's Immigrant Investor Program (or EB-5) aimed at generating investment in regional projects in return for immunization priority.

In May, 2011 the United States Center for Immigration Services issued a notice of "intent to terminate" the RCVD, and subsequently the City has decided to abandon the program. Given the imminent termination of the RCVD the Agency has recorded an allowance for the full amount of the receivable at year end (\$830,075).

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Participation in Risk Pool

The City is a member of the Public Entity Risk Management Authority (PERMA), formerly Coachella Valley Joint Powers Insurance Authority (CVJPIA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of twenty-six participating member agencies, eighteen cities with populations ranging from 1,500 to 100,000, three transit agencies, and five special districts. The City participates in the liability and worker's compensation insurance programs of PERMA. The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a self-insured retention of \$50,000 and participates in risk sharing pools for losses up to \$1 million followed by PERMA's membership in the CSAC Excess Insurance Authority for excess coverage to the limits.

The workers' compensation program provides statutory limits per accident for workers' compensation and \$5 million each accident for employers' liability. The City self-insures up to a level of \$250,000 per accident or employee and participates in a risk sharing pool for losses up to \$500,000 followed by PERMA's membership in the Local Agency Worker's Compensation Excess Joint Powers Authority (LAWCX) and the CSAC Excess Insurance Authority for excess coverage to the limits.

Changes in the amount of claims payable for the past two fiscal years are as follows:

	Beginning	Current Year		Ending	Due within
	Balance	Claims and	Claim	Balance	one year
		Changes in	Payments		
		Estimates			
2009-10	\$ 1,035,168	527,749	(475,945)	1,086,972	300,000
2010-11	1,086,972	805,072	(621,722)	1,270,322	300,000

Claim payments represent disbursements from deposits held by PERMA on behalf of the City. None of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage for the past 3 years. However, in addition to claims mentioned above, an additional amount of \$1,270,322 has been recorded in the Victorville Municipal Utility fund at June 30, 2011 for a pending claim that was outside the City's pool coverage.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Debt Without Government Commitment

Special Tax Bonds

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2002 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2011 was \$905,000.

The City is the collection and paying agent for the Community Facilities District No. 90-1 of the City of Victorville Special Tax Refunding Bonds, 2005 Series A. The special tax bonds were issued to refund the District's Special Tax Bonds, 1991 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2011 was \$4,125,000.

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2005 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2011 was \$2,985,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Debt Without Government Commitment, (Continued)

Refunding Improvement Bonds

The City is the collection and paying agent for the Water Assessment District 2R of the Refunding Improvement Act Bonds, Series 2006, Assessment District 2R. On March 2, 2006, the Baldy Mesa Water District issued \$4,070,000 principle amount in Refunding improvement Bonds Series 2006. The proceeds were used to refinance and refund the Refunding Improvement Bonds, Series 1989, Assessment District 2R, to fund a reserve fund for the Bonds and pay cost related to the issuance of the Bonds.

A special assessment has been levied on the property tax bill of those residents who reside within the boundaries of Assessment District 2R to repay the debt service of this obligation. Principal and interest payments are due each September 2nd and interest only payments are due each March 2nd. The amount of refunding bonds outstanding on June 30, 2011 is \$2,070,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

Multifamily Housing Revenue Bonds

In November of 1988, the City of Victorville issued \$8,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds to finance the construction and development of 200 multifamily housing units in the City of Victorville. The outstanding debt at June 30, 2011 was \$5,840,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

(20) Commitments and Contingencies

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

In the normal course of municipal operations, the City has recorded a liability for claims and judgments based upon management's best estimate of the probably amount of loss associated with those claims. Additional amounts of potential loss (ranging from \$105,000 to \$1,450,000) have not been accrued because management has not determined those additional amounts to be probably of payment.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Commitments and Contingencies, (Continued)

B. Examination of City's Record by Other Authorities

The matters described below are not litigation or claims, and it is unknown as to whether they would lead to loss contingencies:

- The SEC has requested records from the City and the City is cooperating fully in providing documentations in order to assist SEC's investigation of representation made with regard to the issuance of the City's Municipal bonds.
- The San Bernardino County Grand Jury, as in a number of matters in the County is investigating charges of financial instability.

As of June 30, 2011 the investigations above are ongoing and the results are unknown.

C. Construction

Various construction projects were in progress at June 30, 2011 with an estimated cost to complete of approximately \$7,054,055 in all fund types.

On May 17, 2011 the City Council approved a contract with the San Bernardino County Transportation Authority (the "Authority") regarding the construction of the Nisqualli interchange project, requiring the City of Victorville to remit a deposit into a joint escrow account with the Authority. In July 2011, the City deposited \$10,000,000 into the joint escrow account.

D. Commitments for the Purchase of Electricity

In November, 2008 the Victorville Municipal Utility Services (an enterprise fund of the City of Victorville) entered into "Take or Pay" agreements for the purchase of electricity and other scheduling coordinator and settlement services with Sempra Energy Solutions. The commitments to purchase electricity extend through December 31, 2011 and are at varying contract prices based upon demand.

E. Pollution Remediation, (Continued)

In February 2007, the City acquired a property that was previously used as a dry cleaning facility. In May 2010, the United States Environmental Protection Agency ("US EPA") issued the Unilateral Administrative Order for the performance of a removal action to City and the prior owner, due to the presence of tetrachloethylene ("PCE" aka dry cleaning solvent) contamination on site.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Commitments and Contingencies, (Continued)

E. Pollution Remediation, (Continued)

The UAO ordered the City to conduct the necessary environmental investigation related to the presence of PCE on the property and thereafter conduct the remediation necessary to remediate the contamination found. The United States EPA has taken action against the City and the prior owner pursuant to its authority under CERCLA section 104, and in response to the UAO, City has undertaken the cost of cleanup in order to minimize costs and avoid the potential for treble damages that the EPA has the right to assess for failure to comply with an EPA order. The investigation was conducted under the supervision and guidance of the US EPA and City is currently engaged in remedial activities. The remedial activities will continue through 2012.

In June, 2011, the US EPA issued a "Notice of Completion" letter related to soil contamination at the Site. The City has recently held meetings with the State Regulatory Agency that has now been assigned responsibility for groundwater contamination investigation oversight to determine whether any contamination has reached the groundwater. The City expects within the next few months to be in a better position to have an understanding of what ground water contamination may exist, and what associated mitigation efforts or costs, if any, may be needed.

F. Southern California Logistics Airport Authority

Stirling Enterprise LLC

Background

In the early 1990's the US Air Force closed George Air Force Base ("former Base"). In response the local communities formed the Victor Valley Economic Development Authority (VVEDA). VVEDA and the Air Force entered into agreements to lease and ultimately transfer title to the former Base to VVEDA. The subject land is designated as either Public Benefit Transfer (PBT) Parcels or Economic Development Conveyance (EDC) Parcels. The PBT Parcels are made up of approximately 2,200 acres previously used by the U.S. Air Force and are restricted to use as an airport. These parcels were transferred to SCLAA at no cost. The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Commitments and Contingencies, (Continued)

F. Southern California Logistics Airport Authority, (Continued)

In 1993 a Redevelopment Plan was adopted by VVEDA establishing a redevelopment project area encompassing the former Base as well as approximately 55,000 additional acres. VVEDA delegated its decision making authority relative to the former Base, now known as Southern California Logistics Airport or SCLA, to the Southern California Logistics Airport Authority (“SCLAA”). SCLAA is a component unit entity of the City of Victorville. It is also a Joint Power Authority created by the City of Victorville and the Victorville Redevelopment Agency.

SCLAA adopted a Specific Plan in conformity with the Redevelopment Plan and adopted a Master Development Plan establishing its goal to develop the area as a cargo and aircraft maintenance facility and a business/industrial center thereby creating jobs and improving economic conditions in the Victor Valley.

In July 1998 SCLAA and Stirling Enterprises, LLC and its related entities (“Stirling”) entered into the first of several agreements for the marketing, acquisition, operation and development of SCLA. The Third Amended and Restated Master Agreement (“Stirling Agreement”) is the current agreement superseding all previous versions.

Revenues from Sales of Land

Pursuant to the Stirling Agreement SCLAA agreed to transfer a portion of the EDC Parcels to Stirling at the original cost with future revenue sharing based on the profit earned by Stirling. The revenue sharing formula states that to the extent that sales proceeds exceed the transfer price to Stirling, SCLAA and Stirling will share in the excess proceeds as follows:

- The first \$1.00 in excess is all allocated to Stirling
- The second \$1.00 is split 50%/50% between Stirling and Authority
- Thereafter, excess proceeds are split 80% to Stirling and 20% to Authority

The terms of sale and transfer are to be documented in a Disposition and Development Agreement (DDA).

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Commitments and Contingencies, (Continued)

F. Southern California Logistics Airport Authority, (Continued)

The Stirling Agreement provides the Authority with discretion over incurring obligation to pay for pre-development costs and infrastructure costs. Prior to transfer, sources of revenue to finance SCLAA's infrastructure costs shall be identified, said financing to be made up primarily of tax increment revenues received by SCLAA as a pass through from VVEDA. To the extent tax increment revenues are not available; the obligations of SCLAA to contribute infrastructure financing shall be modified, deferred, or paid from outside sources such as grants or developer equity.

Management

Stirling is allowed to lease or cause to be leased both the EDC and PBT Parcels and shall participate in 20% of the Net Lease Revenue. To incentivize Sterling's marketing of the Airport, Stirling is paid 20% of the increase in Airport revenues over and above a base year Factor. Such Airport revenues include leases, landing fees, fuel flowage fees and any tariffs or fees pertaining to Airport operations. Additionally, any revenues from other interim uses such as filming will be shared on a 50%/50% basis between Stirling and Authority.

(21) City's Financial Condition, Significant Financial Obligations and Management Plans

General Fund of the City of Victorville

The General Fund is typically the focal point in analyzing the financial health of the City. For the year ended June 30, 2011, the General Fund had a net decrease in fund balance of \$4,445,923.

The following is as a summary of General Fund Balance:

	<u>General Fund Balance</u>
Fund balance as of June 30, 2010,	\$7,549,553
Net decrease in General Fund balance for the year ended June 30, 2011	<u>(4,445,923)</u>
Fund balance as of June 30, 2011	<u>\$3,103,630</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

**(21) City's Financial Condition, Significant Financial Obligations and Management Plans,
(Continued)**

General Fund of the City of Victorville, (Continued)

The City's general fund has incurred an excess of expenses over revenues (unaudited) of approximately \$10.8 million through December 31, 2011. This liquidity problem occurs because of the timing of collection of revenues for the General Fund. Sales Tax revenue is received approximately two months after it's calculated. Property Tax payments are largely disbursed in January and May. Electric and gas franchise fees are collected in April. Expenditures are approximately 1/12 of the annual budget each month.

Deficit Operations for Proprietary Funds

The Southern California Logistics Airport Authority (SCLAA) has a history of operating at a significant deficit. During the current fiscal year, SCLAA net loss of \$7.2 million.

The following is the financial condition of SCLAA:

	<u>SCLAA Deficit Balance</u>
Net asset deficiency at June 30, 2010 (as restated)	\$(94,360,839)
Net loss for the year ended June 30, 2011	<u>(5,755,683)</u>
Net asset deficiency at June 30, 2011	<u><u>\$(100,116,522)</u></u>

For the six months ended December 31, 2011, management has estimated a net income for SCLAA of approximately \$978,520.

SCLAA Annual Debt Service Payments:

The required debt service payments of SCLAA for the fiscal year ended June 30, 2012 are \$21,540,021. Estimated pledged revenues are anticipated to be \$19,820,872 resulting in a shortfall of \$1,719,149. A draw on reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments.

The Victorville Municipal Utilities Services (VMUS) enterprise fund also has a history of operating with significant deficiencies. During the current fiscal year, VMUS had a net income of \$2.5 million. A summary of the financial condition of the VMUS enterprise fund is as follows:

	<u>VMUS Deficit Balance</u>
Net asset deficiency as of June 30, 2010	\$(78,504,725)
Net income for the year ended June 30, 2011	<u>2,516,774</u>
Net asset deficiency at June 30, 2011	<u><u>\$(75,987,951)</u></u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

**(21) City's Financial Condition, Significant Financial Obligations and Management Plans,
(Continued)**

Deficit Operations for Proprietary Funds, (Continued)

Management has estimated (unaudited) the net income for the six months ended December 31, 2011 to be \$81,344.

Carter & Burgess V. City of Victorville

This case arose out of the failed Foxborough Cogeneration Facility Project. Carter & Burgess was the City's consultant, engineer and construction manager on this Project. The case began when Carter & Burgess filed suit against the City in 2008 seeking \$106,000 in allegedly unpaid sums, after which the City cross-complained. On December 17, 2010, judgment was entered in favor of the City and against Carter & Burgess, Inc. and Jacobs Engineering Group Inc. in the amount of \$52,116,367. Jacobs acquired and merged with Carter & Burgess in 2007. The judgment is currently accruing interest at the rate of 10% per annum. The judgment will likely be appealed, but the chances of the entire judgment being overturned are small. No amounts have been reflected in the accompanying financial statements for the aforementioned favorable judgment.

Significant Financial Obligations

Over the course of the last several years, the City has undertaken a number of significant projects whose ultimate goal was to create new jobs, entrance the local housing and business markets through population increases and to implement an income stream to the City. To fund these efforts the City entered into significant obligations. The most significant obligation is the issuance of the 2007 Variable Rate Lease Revenue Bonds Series A in the amount of \$83,770,000. A summary of this obligation follows:

Victorville Joint Powers Financing Authority Bond - \$83,770,000

The bond was issued in May 2007, with the proceeds being used to liquidate earlier bonds in the amount of \$41 million and \$23 million and to provide certain improvements to the City's electrical system. The proceeds from both bond offerings were used to acquire generators and other equipment for VMUS for installation at the Foxborough Distribution Center and at Southern California Logistics Airport ("SCLA").

The bonds are structured in the form of Variable Rate Lease Revenue Bonds. Under this structure, the bonds were issued with a maturity schedule beginning in 2011 and ending in 2040, but are remarketed on a weekly basis with a weekly interest rate that is established through bids extended from buyers to the remarketing agent.

City of Victorville
Notes to Basic Financial Statements
(Continued)

**(21) City's Financial Condition, Significant Financial Obligations and Management Plans,
(Continued)**

Significant Financial Obligations, (Continued)

Security for the bonds is an assignment of lease revenues received by VJPFA on certain assets owned by the City, consisting primarily of fire stations, City Hall certain parks and the Greentree Golf Course, which were leased to VJPFA, then released back to the City for a lease amount equal to the debt service on the bonds.

The bonds have a credit enhancement instrument in the form of a letter of credit issued by BNP, Paribas (BNP) which guarantees a weekly liquidity market for the bonds. This enables VJPFA to enjoy very low interest rates.

The financing agreements with BNP contain the usual and customary terms imposed on the City and VJPFA. The financing agreements contain specific events or conditions that may constitute a default under the agreements. These include a failure to submit annual financial statements, a failure to pay any debt in excess of \$1 million, a deterioration in the financial condition of the City that would have a material adverse impact on the ability of the City to pay the lease amounts and a failure to obtain an unqualified opinion from the City's external CPA firm on the City's financial statements. These conditions, unless cured or waived by BNP, constitute a default of the financing agreements.

Management's Plans to Improve Operations and Limit City Obligations

The following are management's plans to improve City operations and limit City obligations:

The City of Victorville continues to reduce the budget in order to bring expenditures in line with revenues. This has been accomplished through layoffs, furloughs, retirements, reorganization, and deep reductions in employee benefits. There are 370 employees less than 36 months ago. This is almost a fifty percent (50%) decrease in the number of employees as compared to the number reported in 2008. Victorville has also relied on the use of reserves to help ease the budget strain and maintain services where possible. On June 1, 2010, Council approved policy to suspend the five percent (5%) reserve threshold requirement. Until the local economy begins to come back, it will not be feasible to fully replenish the reserve fund. The three major taxes revenue: sales tax, property tax and franchise tax, continue to modestly increase. The City expects to see these revenue sources surpass the amount received in 2011. While this may signal an upturn in the local economy, the city will continue to monitor the budget closely.

City of Victorville
Notes to Basic Financial Statements
(Continued)

**(21) City's Financial Condition, Significant Financial Obligations and Management Plans,
(Continued)**

Significant Financial Obligations, (Continued)

Additional EB-5 Loans, Refund of EB-5 Loan, and USCIS Termination Notice

In July and September, 2010, the City, through the Victorville Regional Center I, L.P., received additional loans from 9 EB-5 investors, for a total amount of \$4,500,000. One of the investors who loaned the money to the City in September, 2010 requested for a refund and on February 2, 2011, the City issued a repayment of \$500,000 to refund to this investor.

The regional center designation had allowed VRC participation in the Immigration Investor Pilot Program for the purpose of attracting immigrant investor capital into Victorville. On May 4, 2010 the United States Customs and Immigration Services (USCIS) issued a notice with intent to terminate the Victorville Regional Center (VRC) designation as a regional center. This letter is followed by a second intent to terminate letter on August 10, 2010 and a final termination notice on October 20, 2010. According to the notice, USCIS could not conclude that the Victorville Regional Center remained eligible for the Regional Center designation as several issues remained unresolved with respect to the underlying viability and EB-5 compliance of the Victorville Regional Center's capital investment projects. The final notice indicated that evidence (provided by the VRC) fails to establish that the Victorville Regional Center has or will continue to serve the purpose of the Pilot Program.

On November 16, 2010, the USCIS received a motion to Reopen/Motion to Reconsider ("MTR") filed by the Victorville Regional Center in response to the USCIS' Notice of Termination. On December 14, 2010 the USCIS sent a Request for Evidence related to the motion, indicating that the Victorville Regional Center has not provided sufficient evidence to establish eligibility for the benefit sought. The USCIS has allowed 84 days from the date of this notice for the Victorville Regional Center to submit additional evidence in support of the motion.

In May 2011 the USCIS issued a final notice of intent to terminate the VRC, and subsequently the City has decided to abandon the program. Given the imminent termination of the VRC the RDA has recorded an allowance for the full amount of receivables due from the VRC (\$830,075).

City of Victorville
Notes to Basic Financial Statements
(Continued)

(22) Subsequent Events

SCLAA Default on Bonded Debt

On December 1, 2011, the SCLAA defaulted on the principal payment of \$465,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$70,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

Draws on Reserves with the Trustee for the December 1, 2011 interest payments were as follows:

SCLAA Tax Allocation Revenue Parity Bonds	2005A	\$ 635,349
SCLAA Tax Allocation Revenue Parity Bonds	2006	688,480
SCLAA Tax Allocation Revenue Parity Bonds, Ref	2006	1,079,377
SCLAA Tax Allocation Revenue Parity Bonds	2006	697,556
SCLAA Taxable Subordinate Revenue Bonds	2006	2,497,140
SCLAA Subordinate Tax Allocation Rev Bonds	2007	1,169,709
SCLAA Subordinate Tax Allocation Rev Bonds	2008A	166,579

Several material events have occurred that have resulted in SCLAA defaulting on the two bond issues and the use of reserves with the Trustee for interest payments:

- (1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance in the aggregate amount of \$1.7 billion for FY 09/10 and \$350 million for FY 10/11 to a county Supplemental Educational Revenue Augmentation Funds (SERAF), in order to assist the State in balancing its budget. Tax increment used to pay the SERAF obligation that would have otherwise been available to pay SCLAA debt service amounted to \$9,352,308 in FY 09/10 and \$1,923,641 in FY 10/11. These payments essentially resulted in use of cash on hand of \$11,275,949.
- (2) There has been a significant decrease in assessed value for the Victor Valley Redevelopment Project Area. The decrease was largely the result of the recent economic downturn. The Original Area and the Amendment VIII areas saw reductions in value of \$1.6 billion and \$1 billion respectively.
- (3) Due to uncertainty relating to actions taken by the California Supreme Court regarding Assembly Bills AB1X26 and AB1X27, SCLAA was unable to rely on inter-fund borrowing from the Victorville Redevelopment Agency to assist in satisfying debt service obligations due December 1, 2011.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(22) Subsequent Events (Continued)

SCLAA Default on Bonded Debt

The \$11,275,949 payment to the State of California exhausted cash on hand and inter-fund borrowings were not available; therefore, SCLAA was unable to meet debt service payments on December 1, 2011.

A timing issue also occurs with the distribution of tax increment from Victor Valley Economic Development Authority. There is an interim distribution in April and the final distribution in September of each year. These distributions do not align with the debt service schedule. When cash on hand or inter-fund borrowings were available, this timing did not present a problem. However, currently the debt service payment of principal and interest in December has to be made before the following April distribution of tax increment.

Each year a use of reserves with the Trustee will be needed to fill the gap between the tax increment received and the debt service payment. Also a short term use of reserves with the Trustee will be needed for the December payment until tax increment is received from Victor Valley Economic Development Authority in April.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of Assembly Bill X1 26. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft an Recognized Obligation Payment Schedule. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies until all of the Enforceable Obligations have been paid in full.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(22) Subsequent Events (Continued)

Assembly Bill X1 26 also directs the Auditor-Controller of each County to conduct or cause to be conducted an agreed-upon procedures engagement of each redevelopment agency in that county by July 1, 2012. The purpose of this engagement is to establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's passthrough payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and certify the initial Recognized Obligation Payment Schedule.

Other funds of the City could be impacted as a result of shifting of the administrative burden of the City to those other funds and the possible write-off of certain interfund loans to the Redevelopment Agency that may not qualify for repayment under the rules. The outcome of the above described regulatory actions and the full impacts of this most recent development and its impact on other funds of the City are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

(23) Prior Period Adjustment

	<u>Governmental</u>	<u>Business Type</u>	<u>Low and Moderate Housing Income</u>	<u>Southern California Logistics Airport Authority</u>
Net assets (deficit) at beginning of year, as previously reported	561,081,986	117,966,583	38,732,737	(101,339,225)
To correct loan between Victorville VVEDA 20% Low and Moderate Housing fund and the Bear Valley and Old Town Low and Moderate Housing Fund	<u>(6,978,386)</u>	<u>6,978,386</u>	<u>(6,978,386)</u>	<u>6,978,386</u>
Net assets (deficit) at beginning of year, as restated	<u>554,103,600</u>	<u>124,944,969</u>	<u>31,754,351</u>	<u>(94,360,839)</u>

During the year ended June 30, 2011, the City discovered the loan between the Agency's Portion of VVEDA's 20% Low and Moderate Income Housing fund and the Bear Valley and Old Town Project Areas Low and Moderate Income Housing fund was improperly recorded. The loan proceeds were used to purchase property in the Old Town Redevelopment Project Area. To correct this oversight, an adjustment was made to 2007 Southern California Logistic Airport Authority Housing Bond fund. This was done to reflect the obligation as stated on the loan agreement.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 30,299,521	30,116,648	30,405,249	288,601
Licenses and permits	3,457,773	3,603,633	3,527,763	(75,870)
Intergovernmental	3,412,266	3,412,266	3,260,145	(152,121)
Charges for services	7,925,387	7,575,387	7,024,117	(551,270)
Fines and forfeitures	215,200	215,200	345,045	129,845
Investment income	14,000	14,000	40,636	26,636
Other	87,462	87,462	91,323	3,861
Total revenues	<u>45,411,609</u>	<u>45,024,596</u>	<u>44,694,278</u>	<u>(330,318)</u>
Expenditures:				
Current:				
General government	8,429,907	8,379,533	10,432,957	(2,053,424)
Public safety	33,346,814	33,346,814	28,674,181	4,672,633
Community development	-	-	11,820	(11,820)
Public works	5,773,828	5,448,610	5,187,395	261,215
Parks and recreation	3,985,541	1,718,743	3,790,248	(2,071,505)
Debt service:				
Principal	-	-	346,280	(346,280)
Interest	-	-	52,141	(52,141)
Total expenditures	<u>51,536,090</u>	<u>48,893,700</u>	<u>48,495,022</u>	<u>398,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,124,481)</u>	<u>(3,869,104)</u>	<u>(3,800,744)</u>	<u>68,360</u>
Other financing sources (uses):				
Transfers in	907,700	907,700	886,802	(20,898)
Transfers out	-	-	(1,531,981)	(1,531,981)
Total other financing sources (uses)	<u>907,700</u>	<u>907,700</u>	<u>(645,179)</u>	<u>(1,552,879)</u>
Net changes in fund balances	(5,216,781)	(2,961,404)	(4,445,923)	(1,484,519)
Fund balances at beginning of year, as restated	<u>7,549,553</u>	<u>7,549,553</u>	<u>7,549,553</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,332,772</u>	<u>4,588,149</u>	<u>3,103,630</u>	<u>(1,484,519)</u>

CITY OF VICTORVILLE

Redevelopment Agency - Low and Moderate Housing Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,563,911	1,563,911	1,684,149	120,238
Intergovernmental	5,532,854	5,532,854	4,576,034	(956,820)
Charges for services	-	-	2,500	2,500
Investment income	94,500	94,500	131,954	37,454
Total revenues	7,191,265	7,191,265	6,394,637	(796,628)
Expenditures:				
Current:				
Community development	4,391,621	4,351,120	340,843	4,010,277
Total expenditures	4,391,621	4,351,120	340,843	4,010,277
Excess (deficiency) of revenues over (under) expenditures	2,799,644	2,840,145	6,053,794	3,213,649
Other financing sources (uses):				
Transfers out	-	-	(3,234,303)	(3,234,303)
Total other financing sources (uses)	-	-	(3,234,303)	(3,234,303)
Net changes in fund balances	2,799,644	2,840,145	2,819,491	(20,654)
Fund balances at beginning of year, as restated (note 23)	31,754,351	31,754,351	31,754,351	-
Fund balances at end of year	\$ 34,553,995	34,594,496	34,573,842	(20,654)

CITY OF VICTORVILLE

Measure I Street Arterials - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,400,000	3,400,000	3,414,603	14,603
Charges for services	-	-	231,822	231,822
Investment income	-	-	37,663	37,663
Total revenues	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,684,088</u>	<u>284,088</u>
Expenditures:				
Current:				
General government	-	-	33,504	(33,504)
Public works	<u>7,564,485</u>	<u>8,021,985</u>	<u>2,803,227</u>	<u>5,218,758</u>
Total expenditures	<u>7,564,485</u>	<u>8,021,985</u>	<u>2,836,731</u>	<u>5,185,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,164,485)</u>	<u>(4,621,985)</u>	<u>847,357</u>	<u>5,469,342</u>
Other financing sources (uses):				
Transfers in	-	-	44,877	44,877
Transfers out	-	-	(1,241,263)	(1,241,263)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,196,386)</u>	<u>(1,196,386)</u>
Net change in fund balances	(4,164,485)	(4,621,985)	(349,029)	4,272,956
Fund balances at beginning of year	<u>6,943,753</u>	<u>6,943,753</u>	<u>6,943,753</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,779,268</u>	<u>2,321,768</u>	<u>6,594,724</u>	<u>4,272,956</u>

CITY OF VICTORVILLE

Other Federal Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 13,110,000	13,110,000	4,317,024	(8,792,976)
Charges for services	3,000,000	3,000,000	122,978	(2,877,022)
Fines and forfeitures	-	-	38,328	38,328
Investment income	-	-	10,113	10,113
Other	-	-	947,300	947,300
Total revenues	<u>16,110,000</u>	<u>16,110,000</u>	<u>5,435,743</u>	<u>(10,674,257)</u>
Expenditures:				
Current:				
Public safety	219,908	219,908	106,679	113,229
Community development	650,000	1,682,132	1,348,143	333,989
Public works	12,296,000	14,428,549	3,465,697	10,962,852
Parks and recreation	-	-	40,998	(40,998)
Total expenditures	<u>13,165,908</u>	<u>16,330,589</u>	<u>4,961,517</u>	<u>11,369,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,944,092</u>	<u>(220,589)</u>	<u>474,226</u>	<u>694,815</u>
Other financing sources (uses):				
Transfers in	-	-	12,444	12,444
Transfers out	-	-	(243,756)	(243,756)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(231,312)</u>	<u>(231,312)</u>
Net changes in fund balances	2,944,092	(220,589)	242,914	463,503
Fund balances (deficit) at beginning of year	<u>172,790</u>	<u>172,790</u>	<u>172,790</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 3,116,882</u>	<u>(47,799)</u>	<u>415,704</u>	<u>463,503</u>

<p style="text-align: center;">City of Victorville Notes to Required Supplementary Information June 30, 2011</p>

<p>(1) Budgetary Data</p>

The City follows these procedures in establishing the budgetary data in the financial statements.

1. The City Manager submits to the City Council a proposed operating budget. The operating budget includes the proposed expenditures and source of financing;
2. Public hearings are conducted to obtain taxpayer comments;
3. A budget is legally enacted through passage of a resolution;
4. The City Manager is authorized to transfer budgeted amounts within individual funds; however any revisions that alter total appropriations of a fund must be approved by City Council. The legal level of budgetary control has been established at the fund level;
5. Budgeted amounts are as originally adopted and as further amended by the City Council;
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than debt service funds and capital project funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Capital project funds are budgeted on a project length basis. Effective budgetary control is achieved for debt service funds through the contractual requirements of bond indenture provisions;

SUPPLEMENTARY SCHEDULES

CITY OF VICTORVILLE

Combining Balance Sheet
Nonmajor Governmental FundsJune 30, 2011
(with comparative totals for June 30, 2010)

	Special Revenue	Debt Service	Totals	
			2011	2010
<u>Assets</u>				
Assets:				
Cash and investments	\$ 16,712,634	-	16,712,634	9,395,942
Cash with fiscal agent	-	1,797,377	1,797,377	1,841,001
Receivables:				
Accounts	148,311	-	148,311	266,534
Notes	300	-	300	300
Due from other funds	635,397	-	635,397	-
Advances to other funds	1,200,000	-	1,200,000	2,963,779
Due from other governments	1,238,116	-	1,238,116	3,920,277
Total assets	<u>\$ 19,934,758</u>	<u>1,797,377</u>	<u>21,732,135</u>	<u>21,739,968</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 449,466	-	449,466	457,271
Deposits payable	-	-	-	51,905
Due to other funds	777,867	-	777,867	730,765
Due to other governments	-	-	-	8,383
Deferred revenue	78,971	-	78,971	105,754
Total liabilities	<u>1,306,304</u>	<u>-</u>	<u>1,306,304</u>	<u>1,354,078</u>
Fund balances:				
Non-spendable:				
Advances to other funds	-	-	-	2,963,779
Spendable:				
Restricted	19,213,369	1,797,377	21,010,746	17,680,747
Unassigned	(584,915)	-	(584,915)	(258,636)
Total fund balances	<u>18,628,454</u>	<u>1,797,377</u>	<u>20,425,831</u>	<u>20,385,890</u>
Total liabilities and fund balance:	<u>\$ 19,934,758</u>	<u>1,797,377</u>	<u>21,732,135</u>	<u>21,739,968</u>

CITY OF VICTORVILLE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011
(with comparatives totals for year ended June 30, 2010)

	Special Revenue	Debt Service	Totals	
			2011	2010
Revenues:				
Taxes	\$ 3,036,364	4,839,067	7,875,431	3,236,402
Intergovernmental	6,658,733	-	6,658,733	9,249,862
Charges for services	1,600,151	-	1,600,151	1,367,508
Fines and forfeitures	908,801	-	908,801	1,139,182
Investment income	42,644	11,520	54,164	40,503
Other	<u>11,421</u>	<u>-</u>	<u>11,421</u>	<u>11,693</u>
Total revenues	<u>12,258,114</u>	<u>4,850,587</u>	<u>17,108,701</u>	<u>15,045,150</u>
Expenditures:				
Current:				
General government	1,100,408	-	1,100,408	1,145,941
Public safety	269,477	-	269,477	360,604
Community development	921,671	-	921,671	578,189
Public works	7,721,584	-	7,721,584	6,067,156
Parks and recreation	1,308,819	-	1,308,819	1,370,328
Debt service:				
Principal	-	885,000	885,000	980,000
Interest	<u>-</u>	<u>2,318,104</u>	<u>2,318,104</u>	<u>2,359,903</u>
Total expenditures	<u>11,321,959</u>	<u>3,203,104</u>	<u>14,525,063</u>	<u>12,862,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>936,155</u>	<u>1,647,483</u>	<u>2,583,638</u>	<u>2,183,029</u>
Other financing sources (uses):				
Transfers in	86,782	-	86,782	3,356,498
Transfers out	<u>(980,622)</u>	<u>(1,649,857)</u>	<u>(2,630,479)</u>	<u>(1,075,256)</u>
Total other financing sources (uses)	<u>(893,840)</u>	<u>(1,649,857)</u>	<u>(2,543,697)</u>	<u>2,281,242</u>
Net change in fund balances	42,315	(2,374)	39,941	4,464,271
Fund balances at beginning of year	<u>18,586,139</u>	<u>1,799,751</u>	<u>20,385,890</u>	<u>15,921,619</u>
Fund balances at end of year	<u>\$ 18,628,454</u>	<u>1,797,377</u>	<u>20,425,831</u>	<u>20,385,890</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for revenue derived from specific taxes or other revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Landscape Maintenance and Drainage Facilities Assessment District

This fund accounts for the revenue and expenditures of Assessment Districts which provided benefits to the property owner served. These improvements include items such as enhanced landscape, blocked walls, irrigation and drainage system. Since the maintenance of these enhanced facilities directly benefit the individual parcels within the district rather than the City as a whole, the maintenance costs are assessed to the property owners within the Maintenance Assessment District boundaries.

Street Lighting

This fund accounts for revenue received from assessments levied within the District and disbursed funds are for street lighting maintenance activities.

Traffic Safety

This fund accounts for revenue received from fines and forfeitures under Section 1463 of the Penal Code and disbursed funds are related to the maintenance and improvement of traffic control devices, as well as the compensation of school crossing guards who are not regular full-time members of the police department of the City.

General Asset Seizure

This fund accounts for a portion of revenues received from sales of assets seized during drug-related arrests and disbursed for authorized public safety activities.

Storm Drain Utility

This fund accounts for revenue received from storm drain user fees and expensed funds are related to storm drains.

Nonmajor Governmental Funds

Special Revenue Funds

(Continued)

Gas Tax

This fund accounts for revenue received from the State of California under Street and Highways Code Section 2105, 2106, and 2107. The allocations should be spent for street and highway maintenance and improvements.

Transportation Tax

This fund accounts for revenue received for public Transportation projects through the Local Transportation Fund, which derived from a ¼ cent of the General Sales Tax. Eligible expenses include projects related to maintenance and repair of streets and roads.

Other State Grants

This fund accounts for moneys received from the California Law Enforcement Equipment Program, AB 3229 Grant, Office of Traffic Safety Grant, California Integrated Waste Management, Job-Housing Incentive Grant, Homeland Security Grant, and Alcoholic Beverage Control Grant.

CDBG and HOME Grants

This fund accounts for the revenues and expenditures under the guidelines of the Federal Community Development Block Grant and HOME Grant programs of the U.S. Department of Housing and Urban Development. The grants are primarily used for the development of viable urban communities by providing decent housing, suitable living environments, and expanding economic opportunities for persons of low and moderate-incomes.

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheet

June 30, 2011
(with comparative totals for June 30, 2010)

	Facilities	Landscape Maintenance and Drainage Assessment District	Street Lighting	Traffic Safety	General Asset Seizure	Storm Drain Utility
<u>Assets</u>						
Cash and investments	\$	6,064,080	42,942	-	84,389	134,922
Cash with fiscal agent		-	-	-	-	-
Accounts receivable		3,875	-	-	-	144,436
Notes receivable		300	-	-	-	-
Due from other funds		-	635,397	-	-	-
Advances from other funds		-	-	-	-	1,200,000
Due from other governments		<u>33,443</u>	<u>15,167</u>	<u>61,893</u>	<u>-</u>	<u>8,902</u>
Total assets		<u>6,101,698</u>	<u>693,506</u>	<u>61,893</u>	<u>84,389</u>	<u>1,488,260</u>
Liabilities:						
Accounts payable		113,627	86,831	2,029	-	19,051
Deposits payable		-	-	-	-	-
Due to other funds		-	-	-	-	-
Due to other governments		-	-	-	-	-
Unearned revenue		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>113,627</u>	<u>86,831</u>	<u>2,029</u>	<u>-</u>	<u>19,051</u>
Fund balances (deficit):						
Spendable:						
Restricted		5,988,071	606,675	59,864	84,389	1,469,209
Unassigned		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)		<u>5,988,071</u>	<u>606,675</u>	<u>59,864</u>	<u>84,389</u>	<u>1,469,209</u>
Total liabilities and fund balances	\$	<u>6,101,698</u>	<u>693,506</u>	<u>61,893</u>	<u>84,389</u>	<u>1,488,260</u>

Gas Tax	Transportation Tax	Other State Grants	CDBG and HOME Grants	Totals	
				2011	2010
2,066,813	6,875,335	1,444,153	-	16,712,634	9,395,942
-	-	-	-	-	41,250
-	-	-	-	148,311	266,534
-	-	-	-	300	300
-	-	-	-	635,397	3,352,135
-	-	-	-	1,200,000	2,963,779
<u>343,834</u>	<u>392,163</u>	<u>78,971</u>	<u>303,743</u>	<u>1,238,116</u>	<u>3,920,277</u>
<u>2,410,647</u>	<u>7,267,498</u>	<u>1,523,124</u>	<u>303,743</u>	<u>19,934,758</u>	<u>19,940,217</u>
18,119	52,632	9,660	147,517	449,466	457,271
-	-	-	-	-	51,905
-	-	36,726	741,141	777,867	730,765
-	-	-	-	-	8,383
-	-	78,971	-	78,971	105,754
<u>18,119</u>	<u>52,632</u>	<u>125,357</u>	<u>888,658</u>	<u>1,306,304</u>	<u>1,354,078</u>
2,392,528	7,214,866	1,397,767	-	19,213,369	18,844,775
<u>-</u>	<u>-</u>	<u>-</u>	<u>(584,915)</u>	<u>(584,915)</u>	<u>(258,636)</u>
<u>2,392,528</u>	<u>7,214,866</u>	<u>1,397,767</u>	<u>(584,915)</u>	<u>18,628,454</u>	<u>18,586,139</u>
<u>2,410,647</u>	<u>7,267,498</u>	<u>1,523,124</u>	<u>303,743</u>	<u>19,934,758</u>	<u>19,940,217</u>

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

	Facilities	Landscape Maintenance and Drainage	Street Lighting	Traffic Safety	General Asset Seizure	Storm Drain Utility	Gas Tax
	District						
Revenues:							
Taxes	\$ 2,280,836		755,528	-	-	-	-
Intergovernmental	-		-	-	-	103,134	2,896,950
Charges for services	5,060		-	-	-	1,491,775	253
Fines and forfeitures	-		-	865,435	43,366	-	-
Investment income	5,643		611	-	76	1,717	1,907
Other	-		11,421	-	-	-	-
Total revenues	<u>2,291,539</u>		<u>767,560</u>	<u>865,435</u>	<u>43,442</u>	<u>1,596,626</u>	<u>2,899,110</u>
Expenditures:							
Current:							
General government	-		1,100,403	-	-	-	-
Public safety	-		-	-	39,045	-	-
Community development	-		-	-	-	-	-
Public works	33,662		-	21,191	-	2,110,390	2,424,344
Parks and recreation	1,212,460		-	-	-	-	-
Total expenditures	<u>1,246,122</u>		<u>1,100,403</u>	<u>21,191</u>	<u>39,045</u>	<u>2,110,390</u>	<u>2,424,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,045,417</u>		<u>(332,843)</u>	<u>844,244</u>	<u>4,397</u>	<u>(513,764)</u>	<u>474,766</u>
Other financing sources (uses):							
Transfers in	-		-	-	-	-	-
Transfers out	-		-	(885,611)	-	-	-
Total other financing sources (uses)	<u>-</u>		<u>-</u>	<u>(885,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>1,045,417</u>		<u>(332,843)</u>	<u>(41,367)</u>	<u>4,397</u>	<u>(513,764)</u>	<u>474,766</u>
Fund balances (deficit) at beginning of year	<u>4,942,654</u>		<u>939,518</u>	<u>101,231</u>	<u>79,992</u>	<u>1,982,973</u>	<u>1,917,762</u>
Fund balances (deficit) at end of year	<u>\$ 5,988,071</u>		<u>606,675</u>	<u>59,864</u>	<u>84,389</u>	<u>1,469,209</u>	<u>2,392,528</u>

Transportation Tax	Other State Grants	CDBG and HOME Grants	Totals	
			2011	2010
-	-	-	3,036,364	3,236,402
726,823	1,615,781	1,316,045	6,658,733	9,249,862
103,063	-	-	1,600,151	1,367,508
-	-	-	908,801	1,139,182
31,147	1,543	-	42,644	25,417
-	-	-	11,421	11,693
<u>861,033</u>	<u>1,617,324</u>	<u>1,316,045</u>	<u>12,258,114</u>	<u>15,030,064</u>
-	-	5	1,100,408	1,145,941
-	203,247	27,185	269,477	360,604
-	-	921,671	921,671	578,189
1,109,783	1,421,240	600,974	7,721,584	6,067,156
-	3,870	92,489	1,308,819	1,370,328
<u>1,109,783</u>	<u>1,628,357</u>	<u>1,642,324</u>	<u>11,321,959</u>	<u>9,522,218</u>
<u>(248,750)</u>	<u>(11,033)</u>	<u>(326,279)</u>	<u>936,155</u>	<u>5,507,846</u>
16,572	70,210	-	86,782	152,348
-	(95,011)	-	(980,622)	(1,073,086)
<u>16,572</u>	<u>(24,801)</u>	<u>-</u>	<u>(893,840)</u>	<u>(920,738)</u>
(232,178)	(35,834)	(326,279)	42,315	4,587,108
<u>7,447,044</u>	<u>1,433,601</u>	<u>(258,636)</u>	<u>18,586,139</u>	<u>13,999,031</u>
<u>7,214,866</u>	<u>1,397,767</u>	<u>(584,915)</u>	<u>18,628,454</u>	<u>18,586,139</u>

CITY OF VICTORVILLE

Landscape Maintenance and Drainage Facilities Assessment District Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,016,631	2,016,631	2,280,836	264,205
Charges for services	-	-	5,060	5,060
Investment income	-	-	5,643	5,643
Total revenues	<u>2,016,631</u>	<u>2,016,631</u>	<u>2,291,539</u>	<u>274,908</u>
Expenditures:				
Current:				
Public works	-	-	33,662	(33,662)
Parks and recreation	<u>1,862,898</u>	<u>1,819,698</u>	<u>1,212,460</u>	<u>607,238</u>
Total expenditures	<u>1,862,898</u>	<u>1,819,698</u>	<u>1,246,122</u>	<u>573,576</u>
Net changes in fund balances	153,733	196,933	1,045,417	848,484
Fund balances at beginning of year	<u>4,942,654</u>	<u>4,942,654</u>	<u>4,942,654</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,096,387</u>	<u>5,139,587</u>	<u>5,988,071</u>	<u>848,484</u>

CITY OF VICTORVILLE

Street Lighting Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 574,000	574,000	755,528	181,528
Investment income	1,000	1,000	611	(389)
Other	-	-	11,421	11,421
Total revenues	<u>575,000</u>	<u>575,000</u>	<u>767,560</u>	<u>192,560</u>
Expenditures:				
Current:				
General government	<u>967,328</u>	<u>967,328</u>	<u>1,100,403</u>	<u>(133,075)</u>
Total expenditures	<u>967,328</u>	<u>967,328</u>	<u>1,100,403</u>	<u>(133,075)</u>
Net changes in fund balances	(392,328)	(392,328)	(332,843)	59,485
Fund balances at beginning of year	<u>939,518</u>	<u>939,518</u>	<u>939,518</u>	-
Fund balances at end of year	<u>\$ 547,190</u>	<u>547,190</u>	<u>606,675</u>	<u>59,485</u>

CITY OF VICTORVILLE

Traffic Safety Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Fines and forfeitures	<u>\$ 907,700</u>	<u>907,700</u>	<u>865,435</u>	<u>(42,265)</u>
Total revenues	<u>907,700</u>	<u>907,700</u>	<u>865,435</u>	<u>(42,265)</u>
Expenditures:				
Current:				
Public safety	<u>907,700</u>	<u>907,700</u>	<u>-</u>	<u>907,700</u>
Public works	<u>-</u>	<u>23,000</u>	<u>21,191</u>	<u>1,809</u>
Total expenditures	<u>907,700</u>	<u>930,700</u>	<u>21,191</u>	<u>909,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(23,000)</u>	<u>844,244</u>	<u>867,244</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(885,611)</u>	<u>(885,611)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(885,611)</u>	<u>(885,611)</u>
Net changes in fund balances	<u>-</u>	<u>(23,000)</u>	<u>(41,367)</u>	<u>(18,367)</u>
Fund balances at beginning of year	<u>101,231</u>	<u>101,231</u>	<u>101,231</u>	<u>-</u>
Fund balances at end of year	<u>\$ 101,231</u>	<u>78,231</u>	<u>59,864</u>	<u>(18,367)</u>

CITY OF VICTORVILLE

General Asset Seizure Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 28,300	28,300	43,366	15,066
Investment income	<u>-</u>	<u>-</u>	<u>76</u>	<u>76</u>
Total revenues	<u>28,300</u>	<u>28,300</u>	<u>43,442</u>	<u>15,142</u>
Expenditures:				
Current:				
Public safety	<u>87,000</u>	<u>87,000</u>	<u>39,045</u>	<u>47,955</u>
Total expenditures	<u>87,000</u>	<u>87,000</u>	<u>39,045</u>	<u>47,955</u>
Net changes in fund balances	(58,700)	(58,700)	4,397	63,097
Fund balances at beginning of year	<u>79,992</u>	<u>79,992</u>	<u>79,992</u>	<u>-</u>
Fund balances at end of year	<u>\$ 21,292</u>	<u>21,292</u>	<u>84,389</u>	<u>63,097</u>

CITY OF VICTORVILLE

Storm Drain Utility Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	-	103,134	103,134
Charges for services	2,303,488	2,303,488	1,491,775	(811,713)
Investment income	-	-	1,717	1,717
Total revenues	<u>2,303,488</u>	<u>2,303,488</u>	<u>1,596,626</u>	<u>(706,862)</u>
Expenditures:				
Current:				
Public works	<u>4,805,364</u>	<u>4,495,114</u>	<u>2,110,390</u>	<u>2,384,724</u>
Total expenditures	<u>4,805,364</u>	<u>4,495,114</u>	<u>2,110,390</u>	<u>2,384,724</u>
Net changes in fund balances	(2,501,876)	(2,191,626)	(513,764)	1,677,862
Fund balances at beginning of year	<u>1,982,973</u>	<u>1,982,973</u>	<u>1,982,973</u>	<u>-</u>
Fund balances at end of year	<u>\$ (518,903)</u>	<u>(208,653)</u>	<u>1,469,209</u>	<u>1,677,862</u>

CITY OF VICTORVILLE

Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,700,000	2,915,721	2,896,950	(18,771)
Charges for services	-	-	253	253
Investment income	-	-	1,907	1,907
Total revenues	<u>2,700,000</u>	<u>2,915,721</u>	<u>2,899,110</u>	<u>(16,611)</u>
Expenditures:				
Current:				
Public works	<u>2,604,384</u>	<u>2,604,384</u>	<u>2,424,344</u>	<u>180,040</u>
Total expenditures	<u>2,604,384</u>	<u>2,604,384</u>	<u>2,424,344</u>	<u>180,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,616</u>	<u>311,337</u>	<u>474,766</u>	<u>163,429</u>
Other financing sources (uses):				
Transfers in	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>(600,000)</u>
Net changes in fund balances	695,616	911,337	474,766	(436,571)
Fund balances at beginning of year	<u>1,917,762</u>	<u>1,917,762</u>	<u>1,917,762</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,613,378</u>	<u>2,829,099</u>	<u>2,392,528</u>	<u>(436,571)</u>

CITY OF VICTORVILLE

Transportation Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,695,888	2,695,888	726,823	(1,969,065)
Charges for services	25,000	25,000	103,063	78,063
Investment income	15,000	15,000	31,147	16,147
Total revenues	2,735,888	2,735,888	861,033	(1,874,855)
Expenditures:				
Current:				
Public works	2,952,327	2,964,561	1,109,783	1,854,778
Total expenditures	2,952,327	2,964,561	1,109,783	1,854,778
Excess (deficiency) of revenues over (under) expenditures	(216,439)	(228,673)	(248,750)	(20,077)
Other financing sources (uses):				
Transfers in	-	-	16,572	16,572
Total other financing sources (uses)	-	-	16,572	16,572
Net changes in fund balances	(216,439)	(228,673)	(232,178)	(3,505)
Fund balances at beginning of year	7,447,044	7,447,044	7,447,044	-
Fund balances at end of year	\$ 7,230,605	7,218,371	7,214,866	(3,505)

CITY OF VICTORVILLE

Other State Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,780,203	12,598,585	1,615,781	(10,982,804)
Investment income	-	-	1,543	1,543
Total revenues	10,780,203	12,598,585	1,617,324	(10,981,261)
Expenditures:				
Current:				
Public safety	45,762	218,028	203,247	14,781
Community development	-	25,000	-	25,000
Public works	8,139,745	8,153,076	1,421,240	6,731,836
	-	-	3,870	(3,870)
Total expenditures	8,185,507	8,396,104	1,628,357	6,767,747
Excess (deficiency) of revenues over (under) expenditures	2,594,696	4,202,481	(11,033)	(4,213,514)
Other financing sources (uses):				
Transfers in	-	-	70,210	70,210
Transfers out	-	-	(95,011)	(95,011)
Total other financing sources (uses)	-	-	(24,801)	(24,801)
Net changes in fund balances	2,594,696	4,202,481	(35,834)	(4,238,315)
Fund balances at beginning of year	1,433,601	1,433,601	1,433,601	-
Fund balances at end of year	\$ 4,028,297	5,636,082	1,397,767	(4,238,315)

CITY OF VICTORVILLE

CDBG and HOME Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,931,315	1,931,315	1,316,045	(615,270)
Total revenues	1,931,315	1,931,315	1,316,045	(615,270)
Expenditures:				
Current:				
General government	-	-	5	(5)
Public safety	27,190	28,876	27,185	1,691
Community development	1,697,167	1,697,168	921,671	775,497
Public works	111,914	111,914	600,974	(489,060)
Parks and recreation	95,044	95,044	92,489	2,555
Total expenditures	1,931,315	1,933,002	1,642,324	290,678
Net changes in fund balances	-	(1,687)	(326,279)	(324,592)
Fund balances at beginning of year	(258,636)	(258,636)	(258,636)	-
Fund balances at end of year	\$ (258,636)	(260,323)	(584,915)	(324,592)



Nonmajor Governmental Funds

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for and payment of the City's general long-term debt principal and interest.

Redevelopment Agency Debt Service

This fund accounts for the accumulation of resources for and payment of principal and interest on the Victorville Redevelopment Agency Tax Allocation Bonds 2002 and 2003 Series A, 2003 Series B and 2006 Series A.

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Redevelopment Agency Debt Service Fund
Balance Sheet

June 30, 2011
(with comparative totals for June 30, 2010)

	Totals	
	2011	2010
<u>Assets</u>		
Cash with fiscal agent	<u>\$ 1,797,377</u>	<u>1,799,751</u>
Total assets	<u>1,797,377</u>	<u>1,799,751</u>
<u>Liabilities and Fund Balances</u>		
Fund balances:		
Spendable:		
Restricted	<u>1,797,377</u>	<u>1,799,751</u>
Total fund balances	<u>1,797,377</u>	<u>1,799,751</u>
Total liabilities and fund balances	<u>\$ 1,797,377</u>	<u>1,799,751</u>

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Redevelopment Agency Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

	Totals	
	2011	2010
Revenues:		
Tax increment	\$ 4,839,067	-
Investment income	11,520	15,086
	<u>4,850,587</u>	<u>15,086</u>
Total revenues		
	<u>4,850,587</u>	<u>15,086</u>
Expenditures:		
Debt service:		
Principal	885,000	980,000
Interest	2,318,104	2,359,903
	<u>3,203,104</u>	<u>3,339,903</u>
Total expenditures		
	<u>3,203,104</u>	<u>3,339,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,647,483</u>	<u>(3,324,817)</u>
Other financing sources (uses):		
Transfers in	-	3,204,150
Transfers out	(1,649,857)	(2,170)
	<u>(1,649,857)</u>	<u>3,201,980</u>
Total other financing sources (uses)		
	<u>(1,649,857)</u>	<u>3,201,980</u>
Net change in fund balances (deficit)	(2,374)	(122,837)
Fund balances at beginning of year	<u>1,799,751</u>	<u>1,922,588</u>
Fund balances at end of year	<u>\$ 1,797,377</u>	<u>1,799,751</u>

Fiduciary Funds

Agency Funds

Agency funds are one of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Deposits Fund

This fund accounts for various deposits that the City receives as trust deposits. These deposits are held by the City and returned to the depositor upon completion of projects or fulfillment of purpose. The Deposit Fund also includes agency activity of Cal-CLERA and CFD 07-01.

Community Facilities District 90-01

This fund accounts for the Brentwood, West Creek and Joshua Ridge assessment district in accordance with the Mello-Roos Community Facilities Act of 1982. The taxes received are for the payment made to the debt service related to this bond issuance. The debt is debt without government commitment of the City of Victorville.

Community Facilities District 01-01

This fund accounts for the Eagle Ranch assessment district in accordance with the Mello-Roos Community Facilities Act of 1982. The taxes received are for the payment made to the debt service related to this bond issuance. The debt is debt without government commitment of the City of Victorville.

Mojave Desert and Mountain Integrated Waste Management Authority (MDIWMA)

This agency fund accounts for the agency activities of the City on behalf of MDIWMA. The City is acting in a Fiduciary Capacity for MDIWMA.

Regional Fire Protection Authority

This agency fund accounts for the agency activities of the City of Victorville on behalf of the Regional Fire Protection Agency.

Fiduciary Funds

Agency Funds

(Continued)

Water Assessment District No. 2R

This agency fund accounts for the agency activities of the City of Victorville on behalf of the Water Assessment District No. 2R which includes providing administrative duties such as placing assessment on the County tax rolls and submitting payments to the trustee for the holders of \$8,292,572 Refunding Improvement Bonds, Series 1989, Assessment District No. 2R (assessment bond).

AP School

This fund accounts for the agency activities of SCLAA on behalf of Victor Valley Aviation Education Consortium. The school is an as an exempt organization under section (501)(c)(3) and public charity under section 170(b)(1)(A)(ii). The school is FAA accredited to teach courses in General, Airframe and Power plant. The courses prepare students to take the FAA written, oral & practical test to qualify for an Airframe & Power plant license (A & P).

CITY OF VICTORVILLE

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2011

(with comparative totals for June 30, 2010)

	Deposit Funds	Community Facilities District 90-01	Community Facilities District 01-01	Regional Fire Protection Authority	Water Assessment District 2R	AP School	Totals	
							2011	2010
<u>Assets</u>								
Cash and investments	\$ 983,236	1,184,979	738,371	289,592	970,274	-	4,166,452	3,889,631
Restricted assets:								
Investments with fiscal agent	-	1,102,964	1,422,083	-	409,675	-	2,934,722	2,585,052
Accounts receivable	125	11,617	53,427	-	5,465	-	70,634	86,933
Assets used for operations	-	-	-	4,548	-	-	4,548	7,366
Total assets	<u>\$ 983,361</u>	<u>2,299,560</u>	<u>2,213,881</u>	<u>294,140</u>	<u>1,385,414</u>	<u>-</u>	<u>7,176,356</u>	<u>6,568,982</u>
<u>Liabilities</u>								
Accounts payable	\$ -	-	1,742	-	-	-	1,742	21,461
Deposits payable	<u>983,361</u>	<u>2,299,560</u>	<u>2,212,139</u>	<u>294,140</u>	<u>1,385,414</u>	<u>-</u>	<u>7,174,614</u>	<u>6,547,521</u>
Total liabilities	<u>\$ 983,361</u>	<u>2,299,560</u>	<u>2,213,881</u>	<u>294,140</u>	<u>1,385,414</u>	<u>-</u>	<u>7,176,356</u>	<u>6,568,982</u>

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Fiduciary Funds

Year ended June 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Deposit Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 612,461	370,775	-	983,236
Accounts receivable	339	-	(214)	125
Total assets	<u>\$ 612,800</u>	<u>370,775</u>	<u>(214)</u>	<u>983,361</u>
<u>Liabilities:</u>				
Deposits payable	<u>\$ 612,800</u>	<u>370,561</u>	<u>-</u>	<u>983,361</u>
Total liabilities	<u>\$ 612,800</u>	<u>370,561</u>	<u>-</u>	<u>983,361</u>
<u>Community Facilities District 90-01</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,379,807	-	(194,828)	1,184,979
Restricted assets:				
Investments with fiscal agent	798,115	304,849	-	1,102,964
Accounts receivable	21,996	-	(10,379)	11,617
Total assets	<u>\$ 2,199,918</u>	<u>304,849</u>	<u>(205,207)</u>	<u>2,299,560</u>
<u>Liabilities:</u>				
Deposits payable	<u>\$ 2,199,918</u>	<u>304,849</u>	<u>(205,207)</u>	<u>2,299,560</u>
Total liabilities	<u>\$ 2,199,918</u>	<u>304,849</u>	<u>(205,207)</u>	<u>2,299,560</u>
<u>Community Facilities District 01-01</u>				
<u>Assets:</u>				
Cash and investments	\$ 673,560	64,811	-	738,371
Restricted assets:				
Investments with fiscal agent	1,375,808	46,275	-	1,422,083
Accounts receivable	5,689	47,738	-	53,427
Total assets	<u>\$ 2,055,057</u>	<u>158,824</u>	<u>-</u>	<u>2,213,881</u>
<u>Liabilities:</u>				
Accounts payable	\$ 4,498	-	(2,756)	1,742
Deposits payable	<u>2,050,559</u>	<u>161,580</u>	<u>-</u>	<u>2,212,139</u>
Total liabilities	<u>\$ 2,055,057</u>	<u>161,580</u>	<u>(2,756)</u>	<u>2,213,881</u>

(Continued)

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Fiduciary Funds

(Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Regional Fire Protection Authority</u>				
<u>Assets:</u>				
Cash and investments	\$ 289,752	-	(160)	289,592
Assets used for operations	<u>7,366</u>	<u>-</u>	<u>(2,818)</u>	<u>4,548</u>
Total assets	<u>\$ 297,118</u>	<u>-</u>	<u>(2,978)</u>	<u>294,140</u>
<u>Liabilities:</u>				
Deposits payable	\$ 297,118	-	(2,978)	294,140
Total liabilities	<u>\$ 297,118</u>	<u>-</u>	<u>(2,978)</u>	<u>294,140</u>
<u>Water Assessment District 2R</u>				
<u>Assets:</u>				
Cash and investments	\$ 934,051	36,223	-	970,274
Restricted assets:				
Investments with fiscal agent	411,129	-	(1,454)	409,675
Accounts receivable	<u>8,909</u>	<u>-</u>	<u>(3,444)</u>	<u>5,465</u>
Total assets	<u>\$ 1,354,089</u>	<u>36,223</u>	<u>(4,898)</u>	<u>1,385,414</u>
<u>Liabilities:</u>				
Accounts payable	\$ 6,075	-	(6,075)	-
Deposits payable	<u>1,348,014</u>	<u>37,400</u>	<u>-</u>	<u>1,385,414</u>
Total liabilities	<u>\$ 1,354,089</u>	<u>37,400</u>	<u>(6,075)</u>	<u>1,385,414</u>

(Continued)

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Fiduciary Funds

(Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>AP School</u>				
<u>Assets:</u>				
Accounts receivable	50,000	-	(50,000)	-
Total assets	<u>\$ 50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
<u>Liabilities:</u>				
Accounts payable	\$ 10,888	-	(10,888)	-
Deposits payable	39,112	-	(39,112)	-
Total liabilities	<u>\$ 50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
<u>Total-All Fiduciary Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 3,889,631	276,821	-	4,166,452
Restricted assets:				
Investments with fiscal agent	2,585,052	349,670	-	2,934,722
Accounts receivable	86,933	-	(16,299)	70,634
Assets used for operations	7,366	-	(2,818)	4,548
Total assets	<u>\$ 6,568,982</u>	<u>626,491</u>	<u>(19,117)</u>	<u>7,176,356</u>
<u>Liabilities:</u>				
Accounts payable	\$ 21,461	-	(19,719)	\$ 1,742
Deposits payable	6,547,521	627,093	-	7,174,614
Total liabilities	<u>\$ 6,568,982</u>	<u>627,093</u>	<u>(19,719)</u>	<u>7,176,356</u>

